FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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WASHINGTON FEDERAL INC
CIK:**936528**| IRS No.: **911661606** | State of Incorp.:**WA** | Fiscal Year End: **0930**
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SIC: **6035** Savings institution, federally chartered

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FORM 10-K

Securities and Exchange Commission
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1996.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to.............

Commission File Number: 0-25454

Washington Federal, Inc.
(Exact name of registrant as specified in its charter)

United States	91-1661606
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
425 Pike Street, Seattle, Washington	98101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (206) 624-7930

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
N/A	N/A

Securities registered pursuant to section 12(g) of the Act:

Common Stock, $1.00 par value per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of December 9, 1996, the aggregate market value of the 41,908,919 shares of Common Stock of the Registrant issued and outstanding on such date, excluding 1,221,058 shares held by all directors and executive officers of the Registrant as a group, was $1,105,348,000. This figure is based on the closing sale price of $26.375 per share of the Registrant's Common Stock on December 9, 1996, as reported in The Wall Street Journal on December 10, 1996.

Number of shares of Common Stock outstanding as of December 9, 1996: 43,129,977

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents incorporated by reference and the Part of Form 10-K into which the document is incorporated:

(1) Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended September 30, 1996 are incorporated into Part II, Items 5-8 of this Form 10-K.

(2) Portions of the Registrant's definitive proxy statement for its 1996 Annual Meeting of Stockholders are incorporated into Part III, Items 10-13 of this Form 10-K.

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PART I.

ITEM 1. BUSINESS

GENERAL

Washington Federal, Inc. (the "Company"), formed in November 1994, is a Washington corporation headquartered in Seattle, Washington. The company is a non-diversified unitary savings and loan holding company within the meaning of the Home Owners' Loan Act ("HOLA") which conducts its operations through a federally insured savings and loan association subsidiary, Washington Federal Savings and Loan Association ("Washington Federal" or the "Association"). As such, the Company is registered as a holding company with the Office of Thrift Supervision ("OTS") and is subject to OTS regulation, examination, supervision and reporting requirements.

The Association, doing business as Washington Federal Savings, is a federally-chartered savings and loan association that began operations in Washington as a state-chartered mutual association in 1917. In 1935, the Association converted to a federal charter and became a member of the Federal Home Loan Bank ("FHLB") System. On November 17, 1982, Washington Federal converted from a federal mutual to a federal capital stock association.

The business of Washington Federal consists primarily of attracting savings deposits from the general public and investing these funds in loans secured by first mortgage liens on single-family dwellings, and to a significantly lesser extent, on commercial property and multi-family dwellings. It also originates other types of loans for its portfolio and invests in certain United States Government and agency obligations and other investments permitted by applicable laws and regulations. Washington Federal has 93 offices located in Washington, Oregon, Idaho, Arizona and Utah, all of which are full service branches. Through subsidiaries, the Association is engaged in real estate development and insurance brokerage activities.

The principal sources of funds for the Association's activities are retained earnings, loan repayments (including prepayments), net savings inflows, sales of loans, loan participations and other assets, and deposits and borrowings. Washington Federal's principal sources of revenue are interest on loans, interest and dividends on investments and gains on sale of investments and real estate. Its principal expenses are interest paid on savings, general and administrative expenses, interest on borrowings and income taxes.

The Company's growth has been generated both internally and as a result of eleven mergers and three assumptions of deposits. The most recent acquisition was completed in November 1996, when the Company purchased Metropolitan Bancorp, Seattle, Washington ("Metropolitan"). Metropolitan financial data is not included in this report as the transaction occurred subsequent to the fiscal year end. For additional information in this regard, see Note B to the Consolidated Financial Statements included in Item 14 hereof.

The Association is subject to extensive regulation, supervision and examination by the OTS, as its chartering authority and primary federal regulator, and by the Federal Deposit

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Insurance Corporation ("FDIC"), which insures its deposits up to applicable limits. Such regulation and supervision establishes a comprehensive framework of activities in which an association may engage and is intended primarily for the protection of the Savings Association Insurance Fund ("SAIF") administered by the FDIC and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulation, whether by the OTS, the FDIC or the U.S. Congress, could have a significant impact on the Association and its operations. See "Regulation."

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<TABLE>
<CAPTION>

*****	Year Ended September 30,					
	1994			1995		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						

Loans (1)	$2,300,231	$208,030	9.04%	$ 2,635,724	$238,086	9.03%
Mortgage-backed securities	747,286	60,741	8.13	1,109,687	84,125	7.58
Investment securities	171,870	12,299	7.16	245,760	18,101	7.37
FHLB stock	73,222	6,507	8.89	54,701	3,454	6.31
Total interest-earning assets	3,292,609	287,577	8.73	4,045,872	343,766	8.50
Other assets	144,691			143,157		
Total assets	$3,437,300			$ 4,189,029		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Checking accounts	$ 75,463	1,849	2.45	$ 72,323	1,735	2.40
Passbook and statement accounts	266,369	8,160	3.06	210,286	7,036	3.35
Insured money market accounts	248,769	7,902	3.18	244,132	10,549	4.32
Certificate accounts (time deposits)	1,576,614	69,345	4.40	1,720,238	93,104	5.41
Repurchase agreements with customers	67,347	2,502	3.72	54,617	2,924	5.35
FHLB advances	336,967	18,528	5.50	317,590	18,714	5.89
Securities sold under agreements to repurchase	242,554	11,883	4.90	863,379	51,028	5.91
Federal funds purchased	16,692	945	5.66	46,160	3,163	6.85
Total interest-bearing liabilities	2,830,775	121,114	4.28	3,528,725	188,253	5.33
Other liabilities	89,175			98,657		
Total liabilities	2,919,950			3,627,382		
Stockholders' equity	517,350			561,647		
Total liabilities and stockholders' equity	$3,437,300			$4,189,029		
Net interest income/Interest rate spread		$166,463	4.45%		$155,513	3.17%
Net interest margin (2)			5.06%			3.84%

</TABLE>

<TABLE>
<CAPTION>

<S>	Year Ended September 30, 1996 Average Balance <C>	Interest <C>	Average Rate <C>
	(Dollars in Thousands)		
ASSETS			
Loans (1)	$3,442,290	$305,372	8.87%
Mortgage-backed securities	966,658	74,126	7.67
Investment securities	336,722	20,817	6.18
FHLB stock	50,795	3,896	7.67
Total interest-earning assets	4,796,465	404,211	8.43
Other assets	114,126		
Total assets	$4,910,591		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Checking accounts	72,376	1,734	2.40
Passbook and statement accounts	178,616	6,267	3.51
Insured money market accounts	313,746	13,137	4.19
Certificate accounts (time deposits)	1,847,561	105,285	5.70
Repurchase agreements with customers	66,048	3,481	5.27
FHLB advances	862,966	48,183	5.58
Securities sold under agreements to repurchase	816,857	47,905	5.86
Federal funds purchased	50,810	2,753	5.42
Total interest-bearing liabilities	4,208,980	228,745	5.44
Other liabilities	123,135		
Total liabilities	4,332,115		
Stockholders' equity	578,476		
Total liabilities and stockholders' equity	$4,910,591		
Net interest income/Interest rate spread		$175,466	2.99%
Net interest margin (2)			3.66%

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(1) The average balance of loans includes non-accruing loans, interest on which is recognized on a cash basis.
(2) Net interest income divided by average interest-earning assets.

LENDING ACTIVITIES

GENERAL. The Company's net portfolio of loans and mortgage-backed securities totaled $4.6 billion at September 30, 1996, representing approximately 90% of its total assets. In recent years the Company has concentrated its lending activities on the origination of conventional loans, which are loans that are neither insured nor guaranteed by agencies of the United States Government. The Company's investment in mortgage-backed securities issued or guaranteed by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") and certain privately insured mortgage-backed securities amounted to $867 million (net of discounts and premiums) at September 30, 1996 and is deemed to be part of the Company's loan portfolio.

Washington Federal has historically concentrated its lending activity on the origination of long-term, fixed-rate single-family first mortgage loans, single-family construction loans and land development loans. Although mortgage loans may be written with adjustable interest rates, the Association does not emphasize adjustable-rate loans.

The following table sets forth the composition of the Company's gross loan and mortgage-backed securities portfolio, by loan type and security type, as of the dates indicated.

<TABLE>
<CAPTION>

	1992		1993		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			(Dollars in Thousands)			
Loans by type of loan Real estate:						
Conventional:						
Permanent	$1,602,080	62.2%	$1,881,376	63.0%	$2,089,769	57.7%
Land development	104,347	4.1	126,640	4.2	132,487	3.7
Construction(1)	239,985	9.3	312,097	10.4	359,812	9.9
Insured or guaranteed:						
FHA	31,075	1.2	26,731	.9	22,279	.6
VA	18,337	.7	18,971	.6	18,511	.5
Mortgage-backed securities(residential)	569,334	22.1	615,375	20.6	995,107	27.4
Savings account loans	2,051	.1	2,782	.1	2,790	.1
Consumer	7,289	.3	6,071	.2	3,796	.1
Total(2)	$2,574,498	100.0%	$2,990,043	100.0%	$3,624,551	100.0%
Loans by type of security Residential:						
Single-family(3)	$1,843,878	71.6%	$2,223,171	74.3%	$2,499,458	69.0%
Other dwelling units	36,166	1.4	49,597	1.7	46,260	1.3
Income property	115,780	4.5	93,047	3.1	77,140	2.1
Mortgage-backed securities(residential)	569,334	22.1	615,375	20.6	995,107	27.4
Savings account loans	2,051	.1	2,782	.1	2,790	.1

Consumer	7,289	.3	6,071	.2	3,796	.1
Total(2)	$2,574,498	100.0%	$2,990,043	100.0%	$3,624,551	100.0%

</TABLE>

<TABLE>
<CAPTION>

	1995		1996	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Loans by type of loan Real estate:				
Conventional:				
Permanent	$2,635,669	60.1%	$3,241,789	66.6%
Land development	167,028	3.8	172,146	3.5
Construction(1)	443,723	10.1	548,302	11.2
Insured or guaranteed:				
FHA	20,479	.4	18,123	.4
VA	16,434	.4	18,169	.4
Mortgage-backed securities(residential)	1,095,861	25.0	865,887	17.8
Savings account loans	2,344	.1	3,576	.1
Consumer	2,463	.1	1,488	--
Total(2)	$4,384,001	100.0%	$4,869,480	100.0%
Loans by type of security				
Residential:				
Single-family(3)	$3,168,844	72.2%	$3,879,092	79.7%
Other dwelling units	54,407	1.2	74,108	1.5
Income property	60,082	1.4	45,329	.9
Mortgage-backed securities(residential)	1,095,861	25.0	865,887	17.8
Savings account loans	2,344	.1	3,576	.1
Consumer	2,463	.1	1,488	--
Total(2)	$4,384,001	100.0%	$4,869,480	100.0%

</TABLE>

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(1) Includes construction loans that have been modified to monthly payment loans, due in full in approximately one year, in the amount of $19.2 million, $16.4 million, $6.1 million, $6.1 million and $15.9 million at September 30, 1992, 1993, 1994, 1995 and 1996, respectively.

(2) After netting undisbursed proceeds on loans in process, deferred fees, discounts on loans and allowances for possible losses against the applicable loan amounts, the Association's net loan portfolio at September 30, 1992, 1993, 1994, 1995 and 1996 amounted to $2.40 billion, $2.78 billion, $3.40 billion, $4.11 billion and $4.6 billion, respectively.

(3) Includes condominium units (which are deemed to be single-family residences regardless of the number of units in the structure in which they are located), as well as land and construction loans for single family residences.

The following table summarizes the scheduled contractual gross loan maturities for the Association's total loan and mortgage-backed securities portfolios due for the periods indicated as of September 30, 1996. Amounts are presented prior to deduction of discounts, premiums, loans in process, deferred loan origination fees and allowance for loan losses. Adjustable and variable rate loans are shown in the period in which loan principal payments are contractually due.

<TABLE>
<CAPTION>

		Maturity Distribution		
	Balance outstanding at September 30, 1996	Less than 1 year	1 to 5 years	After 5 years
One- to four-family real estate loans	$3,158,644	$ 87,281	$ 53,476	$3,017,887
GNMA, FHLMC, FNMA and other				

mortgage-backed securities	865,887	10,457	50,760	804,670
Construction and land development loans	720,448	522,860	16,917	180,671
Income property loans	119,437	15,965	21,232	82,240
Savings account loans	3,596	3,596	--	--
Consumer loans	1,468	542	231	695
	$4,869,480	$ 640,701	$ 142,616	$4,086,163

</TABLE>

Loans maturing after one year:

Fixed interest rates	$3,926,517
Floating or adjustable interest rates	285,760
Total	$4,212,277

The original contractual loan payment period for residential loans originated by the Association normally ranges from 15 to 30 years. Experience during recent years has indicated that, because of prepayments in connection with refinancing and sales of property, residential loans remain outstanding an average of less than ten years.

LENDING PROGRAMS AND POLICIES. The Association specializes in residential real estate lending and has no present plans to expand its operations into consumer or commercial business loans. The Association offers "balloon" payment loans, which are amortized on a 20 or 30 year basis but which have a maturity date for the principal balance of a much shorter period. The Association also provides land acquisition and development loans ("land development loans") and construction loans for single-family residences. The interest rate on these loans generally adjusts every 90 days in accordance with a designated index. Land development and construction loans amounted to $720 million or 15% of the Association's gross loan portfolio (including mortgage-backed securities) at September 30, 1996. The Association offers a multi-family (five or more dwelling units) lending program with strict underwriting guidelines, including a $1 million limit on any one loan.

All of the associations acquired by Washington Federal offered a variety of lending products, including commercial real estate and non-real estate secured loans, consumer secured loans and non-secured lines of credit. All commercial, consumer and line of credit lending has been discontinued and lending has been redirected toward the traditional Association lending practices of single-family residential loans. The loans acquired, other than single-family residential real estate loans, are being serviced and payoffs are being encouraged.

As a result of activity over the past three decades, the Association believes that it is a leading construction lender for single-family residences in the Seattle metropolitan area. Because of this history, the Association has developed a staff with in-depth land development and construction experience and working relationships with a group of builders which have been selected based on their operating histories and financial stability.

Construction lending is generally considered to involve a higher level of risk than single-family residential lending due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on real estate developers and managers. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans also is such that they are generally more difficult to evaluate and monitor.

The Association continues to originate medium and long-term, permanent fixed-rate loans, but in most instances (see below) only under terms, conditions and documentation which permit sale in the secondary market. Moreover, since 1973 it has been the Association's general policy to include in the documentation evidencing its conventional mortgage loans the so-called "due on sale clause," which facilitates adjustment of interest rates on such loans when the property securing the loan is sold or transferred. At September 30, 1996, $4.2 billion or 86%

of the Association's loan portfolio was represented by medium and long-term, fixed-rate loans secured by single-family residences (including mortgage-backed securities).

The Association offers a 99% loan-to-value ratio conventional loan program for first time home buyers. The high-ratio conventional lending program presents greater risk to the Association. To mitigate the risk, the program has stringent underwriting and property requirements that include home ownership/money management counseling and property condition inspections. A loss reserve of 2% of the loan amount is established for each loan granted. The Association is authorized by its Board to originate $100 million of loans under this program. As of September 30, 1996, loans under this program amounted to $70.8 million.

All of the Association's mortgage lending is subject to its written, nondiscriminatory underwriting standards, loan origination procedures and lending policies prescribed by the Association's Board of Directors. Property valuations are required on all real estate loans and are prepared by independent appraisers approved by the Association's Board of Directors and the appraisals are reviewed by the Association's appraisal staff. Detailed loan applications are obtained to determine the borrower's ability to repay, and the more significant items on these applications are verified through the use of credit reports, financial statements and written confirmations. Depending on the size of the loan involved, a varying number of senior officers of the Association must approve the application before the loan can be granted.

Federal regulations limit the amount of a real estate loan made by a federally-chartered savings institution to a specified percentage of the value of the property securing the loan, as determined by an appraisal at the time the loan is originated (referred to as the "loan-to-value ratio"). The regulation provides that at the time of origination a real estate loan may not exceed 100% of the appraised value of the security property. Maximum loan-to-value ratios for each type of real estate loan made by an institution are now established by the institution's board of directors. In addition, the board of directors must approve each real estate loan (other than a home loan) with a loan-to-value ratio in excess of 80%.

A general reserve is established for all loans with loan-to-value ratios exceeding 80% that are not insured by private mortgage insurance by placing 1% of the new loan principal balance into such reserve when the loan is closed. This total reserve balance at September 30, 1996 amounted to $4.4 million.

The Association's residential construction loans and land acquisition and development loans are of a short-term nature and are generally made for 80% or less of the appraised value of the property upon completion for residential construction loans and 75% or less for land acquisition and development loans. Funds are disbursed periodically at various stages of completion as authorized by the Association's personnel.

It is the Association's policy to obtain title insurance insuring that the Association has a valid first lien on the mortgaged real estate. Borrowers must also obtain hazard insurance prior to closing and, when required by the Department of Housing and Urban Development, flood insurance. Borrowers may be required to advance funds on a monthly basis together with each payment of principal and interest to a mortgage escrow account from which the Association

makes disbursements for items such as real estate taxes, hazard insurance premiums and private mortgage insurance premiums as they fall due.

ORIGINATION, PURCHASE AND SALE OF LOANS. The Association has general authority to lend anywhere in the United States. The Association's primary lending area, however, is western Washington, western Oregon, southern Idaho, southern Arizona and northern Utah.

Loan originations come from a number of sources. Residential loan originations result from referrals from real estate brokers, walk-in customers, purchasers of property in connection with builder projects financed by the Association, purchasers of property referred through mortgage brokers and from refinancing for existing customers. Construction loan originations are obtained primarily by direct solicitation of builders and continued business from builders who have previously borrowed from the Association.

At September 30, 1996, the Association was servicing approximately

$112.6 million of loans for others. Sales are made on a yield basis with the difference between the yield to the purchaser and the amount paid by the borrower constituting servicing income to the Association. The sale of loans and loan participations is subject to federal regulations, which, among other things, until recently required that sales be made on a non-recourse basis.

The Association also purchases mortgage-backed securities when lending rates and mortgage volume for new loan originations in its market area do not fulfill its needs. Mortgage-backed securities accounted for most of the Association's loan purchases in recent years. Mortgage-backed securities are more liquid than individual mortgage loans and may be used to collateralize borrowings of the Association.

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The table below shows total loan origination, purchase, sale and repayment activities of the Association on a consolidated basis for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
			(In Thousands)		
Loans originated(1):					
Construction	$ 272,976	$ 291,777	$ 370,845	$ 341,001	$ 428,317
Land	43,549	66,546	74,508	97,990	92,496
Loans on existing property	272,549	464,195	540,561	758,455	972,601
Loans refinanced	71,648	97,387	76,518	27,468	62,854
Total loans originated	660,722	919,905	1,062,432	1,224,914	1,556,268
Loans and mortgage backed securities purchased:					
From acquisitions of associations	--	316,095	--	27,759	--
Other	139,390	261,056	620,026	216,843	60,888
	139,390	577,151	620,026	244,602	60,888
Loans and mortgage-backed securities sold	--	(27,239)	(18,702)	(34,156)	(134,275)
Loan and mortgage-backed securities principal repayments	(847,061)	(1,074,562)	(1,057,659)	(683,383)	(1,016,049)
Net change in loans in process, discounts, fees, etc	13,129	(20,855)	18,545	(37,679)	
					7,908
Net loan activity increase (decrease)	$ (33,820)	$ 374,400	$ 624,642	$ 714,298	$ 474,740

</TABLE>

(1) Includes undisbursed loans in process and does not include savings account loans, which were not material during the periods indicated.

INTEREST RATES, LOAN FEES AND SERVICE CHARGES. Interest rates charged by the Association on mortgage loans are primarily determined by the level of competitive loan rates offered in its lending areas and in the secondary market. Mortgage loan rates reflect factors such as interest rates generally, the supply of money available to the savings and loan industry and the demand for such loans. These factors are in turn affected by general economic conditions, the regulatory programs and policies of federal and state agencies, changes in tax laws and governmental budgetary programs.

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The Association receives loan origination fees for originating loans and servicing fees for servicing loans sold by it to others. The Association also receives commitment fees for making commitments to originate construction, commercial and multi-family residential loans, as well as various fees and charges related to existing loans, which include prepayment charges, late charges and assumption fees.

In making one- to-four family home mortgage loans, the Association does not normally charge a commitment fee. As part of the loan application, the borrower pays the Association for its out-of-pocket costs in reviewing the application, such as the appraisal fee, whether or not the borrower closes the loan. The interest rate charged is normally the prevailing rate at the time the loan application is approved. In the case of larger construction loans, the Association normally charges a 1% commitment fee, which may be included in the loan origination charge when the loan is made. Commitment fees and other terms of commercial and multi-family residential loans are individually negotiated.

NON-PERFORMING ASSETS. When a borrower fails to make a required payment on a loan, the Association attempts to cause the deficiency to be cured by contacting the borrower. Contacts are made after a payment is 30 days past due. In most cases, deficiencies are cured promptly. If the delinquency is not cured within 90 days, the Association causes the trustee on the deed of trust to institute appropriate action to foreclose the property. If foreclosed, the property will be sold at a public sale and may be purchased by the Association. There are circumstances under which the Association may choose to foreclose a deed of trust as mortgagee and when this procedure is followed certain redemption rights are involved.

Loans are placed on non-accrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. The Association does not accrue interest on loans past due 90 days or more. See Note A to the Consolidated Financial Statements included in Item 14 hereof.

Real estate acquired by foreclosure or deed-in-lieu thereof ("REO") is classified as real estate held for sale until it is sold. When property is acquired, it is recorded at the lower of carrying or fair value at the date of acquisition and any writedown resulting therefrom is charged to the allowance for loan losses. Interest accrual ceases on the date of acquisition and all costs incurred in maintaining the property from that date forward are expensed. Costs incurred for the improvement or development of such property are capitalized. See Note A to the Consolidated Financial Statements included in Item 14 hereof.

The following table sets forth information regarding restructured and non-accrual loans and REO held by the Association at the dates indicated.

<TABLE>
<CAPTION>

	September 30,				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
	(Dollars in Thousands)				
Restructured loans (1)	$ 7,667	$ 7,658	$11,254	$10,103	$24,046
Non-accrual loans:					
Single-family residential	3,201	4,498	4,215	2,879	5,913
Construction and land	11,621	13,407	5,484	9,515	7,779
Commercial real estate	610	1,718	1,223	76	482
Consumer	25	93	105	--	4
Total non-accrual loans (2)	15,457	19,716	11,027	12,470	14,178
Total REO (3)	4,182	1,936	2,316	19,735	20,417
Total non-performing assets	$27,306	$29,310	$24,597	$42,308	$58,641
Total non-performing assets as a percent of total assets	.98%	.93%	.64%	.92%	1.15%

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(1) Performing in accordance with restructured terms.

(2) The Association recognized interest income on non-accrual loans of approximately $576,000 in 1996. Had these loans performed according to their original contract terms, the Association would have recognized interest income of approximately $1,322,000 in 1996.

In addition to the non-accrual loans reflected in the above table, at September 30, 1996, the Association had $3.3 million of loans which were less than 90 days or more delinquent but which it had classified as substandard for one or more reasons. If these loans were deemed non-performing, the Association's ratio of total non-performing assets as a percent of total assets would have been 1.21% at September 30, 1996. For discussion of the Company's policy for placing loans on nonaccrual status, see Note A to the Consolidated Financial Statements included in Item 14 hereof.

(3) Total REO includes real estate held for sale acquired in settlement of loans or acquired from purchased institutions in settlement of loans. See Note I to the Consolidated Financial Statements included in Item 14 hereof.

During 1995, three Northern California commercial properties totalling $11.7 million were reclassified to REO. The assets, which were part of insolvent thrift acquisitions in the 1980s, will be marketed individually by the Company as property values are enhanced and the California economy improves.

The following table analyzes the Company's allowance for loan losses for the years indicated.

<TABLE>
<CAPTION>

	September 30,				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
		(Dollars in Thousands)			
Beginning Balance	$18,278	$16,896	$14,674	$11,720	$11,651
Charge-offs:					
Real estate:					
Permanent	69	43	8	450	146
Construction	146	1,071	977	164	179
Land	260	29	184	163	90
Income property	1,090	6,860	2,604	6,536	405
Other	95	3	4	17	--
	1,660	8,006	3,777	7,330	820
Recoveries:					
Real estate:					
Permanent	--	47	127	10	10
Construction	--	168	50	50	--
Land	--	356	26	21	--
Income property	64	269	219	654	513
Other	35	134	--	--	--
	99	974	422	735	523
Net Charge-offs	1,561	7,032	3,355	6,595	297
Acquisitions	--	2,079	--	281	--
Provisions for loan losses	179	2,731	401	6,245	3,828
Ending balance	$16,896	$14,674	$11,720	$11,651	$15,182
Ratio of net charge-offs to average loans outstanding	.08%	.35%	.15%	.25%	.01%

</TABLE>

The following table sets forth the allocation of the Company's allowance for loan losses at the dates indicated.

	September 30, 1992	1993	1994	1995	1996
	(In Thousands)				
Real estate:					
Permanent single-family	$ 1,169	$ 1,323	$ 1,537	$ 3,031	$ 5,239
Construction	--	230	120	5	2,945
Land	--	30	255	405	2,525
Income Property	4,852	4,575	2,750	950	1,843
Other	50	71	2	--	--
Unallocated	10,825	8,445	7,056	7,260	2,630
	$16,896	$14,674	$11,720	$11,651	$15,182

As part of the process of determining the adequacy of the allowance for loan losses, management reviews the loan portfolio for specific weaknesses. A portion of the allowance is then allocated to reflect the loss exposure. Residential real estate loans are not individually analyzed for impairment and loss exposure because of the significant number of loans, their relatively small balances and historically low level of losses. Residential construction, commercial real estate and commercial business loans were evaluated individually for impairment, which resulted in an allocation of $7.3 million of the allowance for loan loss at year-end 1996, compared with an allocation of $1.4 million a year earlier.

Unallocated reserves are established for loss exposure that may exist in the remainder of the loan portfolio but has yet to be identified. In determining the adequacy of unallocated reserves, management considers changes in the size and composition of the loan portfolio, actual historical loan loss experience, and current and anticipated economic conditions.

REAL ESTATE HELD FOR SALE. As one of the Association's activities, a subsidiary is engaged in the development and sale of real estate. Also, REO which was acquired in the acquisitions of insolvent associations has been recorded as real estate held for sale. These acquired assets were not covered by yield maintenance agreements pursuant to agreements entered into with the FSLIC in connection with these acquisitions. However, in determining their offering price, the Association recorded yield maintenance discounts based on estimated holding periods and a market rate of return. Such yield maintenance is amortized to income over the estimated holding period utilizing the interest method. For additional information, see Notes B and I to the Consolidated Financial Statements included in Item 14 hereof.

The business of real estate development involves substantial risks, and the results of such activities depend upon a number of factors, including seasonality, the type, location and size of each project, the stage of project development, general economic conditions and the level of mortgage interest rates. Consequently, there may be substantial inter-period variations in the operating results of the Association's real estate development activities. Moreover, because investing in real estate and real estate development activities are not permissible activities for national banks, the amount of the investment in, and loans to, any subsidiary engaged in such activities is deductible from a savings association's regulatory capital. See "Regulation - The Association--Regulatory Capital Requirements."

INVESTMENT ACTIVITIES

As a federally-chartered savings institution, Washington Federal is required to maintain certain liquidity ratios and does so by investing in securities that qualify as liquid assets under federal regulations. These include, among other things, certain certificates of deposit, bankers' acceptances, loans to financial institutions whose deposits are federally-insured, federal funds and United States Government and agency obligations.

The following table sets forth the composition of the Company's investment portfolio on the dates indicated.

	September 30,				
	1994	1995		1996	
	Amortized Cost	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)				
U.S. Government and agency obligations	$ 127,974	$ 204,528	$ 211,816	$ 270,915	$ 275,538
State and political subdivisions	67,191	44,845	46,197	23,468	24,967
	$ 195,165	$ 249,373	$ 258,013	$ 294,383	$ 300,505

The investment portfolio at September 30, 1996 categorized by maturity is as follows:

	Amortized Cost	Weighted Average Yield
	(Dollars in Thousands)	
Due in less than one year	$ 68,717	7.96%
Due after one year through five years	179,705	6.74
Due after five years through ten years	22,867	6.88
Due after ten years	23,094	7.93
	$ 294,383	

SOURCES OF FUNDS

GENERAL. Savings deposits are an important source of the Association's funds for use in lending and for other general business purposes. In addition to savings deposits, Washington Federal derives funds from loan repayments, advances from the FHLB and other borrowings and, to a lesser extent, from loan sales. Loan repayments are a relatively stable source of funds while savings inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in normal sources of funds such as savings inflows at less than projected levels. They may also be used on a longer-term basis to support expanded activities.

SAVINGS. In recent years, the Association has chosen to rely on term certificate accounts and other deposit alternatives which have no fixed term and pay interest rates that are more responsive to market interest rates than passbook accounts. This greater variety of deposits has allowed the Association to be more competitive in obtaining funds to more effectively manage its liabilities.

Certificates with a maturity of one year or less have penalties for premature withdrawal equal to 90 days of interest. When the maturity is greater than one year, the penalty is 180 days of interest. For jumbo certificates the penalty depends on the original term. If the original term is 90 days or less the penalty is the greater of 30 days interest or all interest earned. If the original term is 90 days or more the penalty is the greater of 90 days interest or all interest earned. Early withdrawal penalties during fiscal 1994, 1995 and 1996 amounted to approximately $280,000, $438,000 and $349,000, respectively.

The Association offers a single "performance" checking account. This account pays interest on balances over $1,000 and is charged a service fee if balances drop below $1,000.

The Association's deposits are obtained primarily from residents of Washington, Oregon, Idaho, Arizona and Utah and the Association does not advertise for deposits outside of these states. At September 30, 1996, management believed that less than 2% of the Association's deposits were held by nonresidents of Washington, Oregon, Idaho, Arizona and Utah.

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The following table sets forth certain information relating to the Association's savings deposits at the dates indicated.

<TABLE>
<CAPTION>

	September 30,					
	1994		1995		1996	
	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance by interest rate:						
Checking accounts	$ 75,557	3.00%	$ 70,011	3.00%	$ 75,781	3.00%
Regular savings (passbook) accounts	245,545	3.00	187,812	3.50	175,307	3.50
Money market deposit accounts	239,044	3.75	271,582	4.91	342,013	4.04
	560,146		529,405		593,101	
Fixed-rate certificates:						
3.00% - 4.99%	1,290,583		150,754		137,463	
5.00% - 6.99%	314,606		1,599,413		1,642,332	
7.00% - 8.99%	22,188		14,322		1,075	
9.00% and above	6,848		1,611		49	
Jumbo certificates ($100,000 or more):						
3.00% - 4.99%	26,534		5,091		4,169	
5.00% - 6.99%	1,738		70,027		45,696	
7.00% - 8.99%	98		476		--	
	1,662,595		1,841,694		1,830,784	
	$2,222,741		$2,371,099		$2,423,885	

</TABLE>

The following table sets forth by various interest rate categories the amounts of certificates of deposit of the Association at September 30, 1996 which mature during the periods indicated.

<TABLE>
<CAPTION>

	Amounts at September 30, 1996 Maturing in						
	1 to 3 Months	4 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 60 Months	After 60 Months
	(Dollars in Thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
3.00 to 3.99%	$ 149	$ 177	$ 201	$ --	$ 55	$ 226	$ --
4.00 to 4.99%	75,061	62,341	2,155	772	496	--	--
5.00 to 5.99%	629,177	271,475	470,455	160,490	26,062	22,122	21
6.00 to 6.99%	55,850	11,891	24,216	11,123	918	4,229	4
7.00 to 7.99%	520	89	54	145	23	68	--
8.00 to 8.99%	--	31	73	47	16	5	--
9.00% and above	5	37	--	--	5	--	--
Total	$760,762	$346,041	$497,154	$172,577	$27,575	$26,650	$ 25

</TABLE>

Historically, the majority of certificate holders roll over their balances into new certificates of the same term at the Association's then current rate. To ensure a continuity of this trend, the Association expects to continue to offer market rates of interest. The Association's ability to retain deposits maturing in negotiated-rate certificate accounts is more difficult to project. The Association is confident, however, that by competitively pricing these certificates, balance levels deemed appropriate by management can be achieved on a continuing basis.

At September 30, 1996, the Association had $49.9 million of certificates of deposit in amounts of $100,000 or more outstanding, maturing as follows: $24.2 million within 3 months; $14.2 million over 3 months through 6 months; $11.3 million over 6 months through 12 months; and $.2 million thereafter.

The following table sets forth the customer account activities of the Association for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1994	1995	1996
		(In Thousands)	
<S>	<C>	<C>	<C>
Assumed from acquisitions	$ 62,359	$ 27,374	$ --
Branch sale	--	(4,743)	--
Deposits	2,017,393	2,590,714	2,363,515
Withdrawals	2,104,140	2,565,109	2,458,534
Net increase (decrease) in deposits before interest credited	(24,388)	48,236	(95,019)
Interest credited	89,758	115,348	129,904
Net increase in customer accounts	$ 65,370	$ 163,584	$ 34,885

</TABLE>

BORROWINGS. The Association obtains advances from the FHLB upon the security of the capital stock of the FHLB it owns and certain of its home mortgages, provided certain standards related to credit worthiness have been met. See "Regulation - Federal Home Loan Bank System." Such advances are made pursuant to several different credit programs. Each credit program has its own interest rate and range of maturities, and the FHLB prescribes acceptable uses to which the advances pursuant to each program may be put as well as limitations on the size of such advances. Depending on the program, such limitations are based either on a fixed percentage of assets or the Association's credit worthiness. The FHLB is required to review its credit limitations and standards at least annually. FHLB advances have from time to time been available to meet seasonal and other withdrawals of savings accounts and to expand lending.

The Association also uses reverse repurchase agreements as a form of borrowing. Under reverse repurchase agreements, the Association sells an investment security to a dealer for a period of time and agrees to buy back that security at the end of the period and pay the dealer a stated interest rate for the use of the dealer's funds. The amount of securities sold under such agreements depends on many factors, including the terms available for such transactions, the perceived ability to apply the proceeds to investments yielding a higher return, the demand for the securities and management's perception of trends in interest rates. The Association had $586.6 million of securities sold under such agreements at September 30, 1996.

The Association also offers two forms of repurchase agreements to its customers. One form has an interest rate that floats like a money market deposit account and is offered at a $1,000 minimum for an 84-day term. The other form has a fixed rate and is offered in a minimum denomination of $100,000. Both are fully collateralized by securities. These obligations are not insured by SAIF and are classified as borrowings for regulatory purposes. The Association had $56.3 million of such agreements outstanding at September 30, 1996.

The following table presents certain information regarding borrowings of Washington Federal at the dates and for the periods indicated.

<TABLE>
<CAPTION>

	At or for the Year Ended September 30,		
	1994	1995	1996
	(Dollars in Thousands)		
Federal funds and securities sold to dealers under agreements to repurchase:			
Average balance outstanding	$ 259,246	$ 909,539	$ 867,667
Maximum amount outstanding at any month-end during the period	$ 624,604	$1,094,334	$ 936,224
Weighted average interest rate during the period(1)	4.95%	5.96%	5.84%
FHLB advances:			
Average balance outstanding	$ 336,967	$ 317,590	$ 862,966
Maximum amount outstanding at any month-end during the period	$ 427,700	$ 527,000	$1,162,000
Weighted average interest rate during the period(1)	5.50%	5.89%	5.58%
Securities sold to customers under agreements to repurchase:			
Average balance outstanding	$ 67,347	$ 54,617	$ 66,048
Maximum amount outstanding at any month-end during the period	$ 74,294	$ 74,236	$ 79,406
Weighted average interest rate during the period(1)	3.72%	5.35%	5.27%
Total average borrowings	$ 663,560	$1,281,746	$1,796,681
Weighted-average interest rate on total average borrowings(1)	5.10%	5.92%	5.70%

---

(1) Month-end balances times month-end average rates divided by the sum of the month-end balances.

OTHER RATIOS

The following table sets forth certain ratios relating to the Company for the periods indicated.

	Year Ended September 30,		
	1994	1995	1996
Return on assets(1)(4)	2.70%	1.87%	1.82%
Return on equity(2)(4)	18.19	13.99	15.37
Average equity to average assets	15.05	13.41	11.78
Dividend payout ratio(3)	35.34	45.69	42.65

---

(1) Net income divided by average total assets.
(2) Net income divided by average equity.
(3) Dividends declared per share divided by net income per share.
(4) Amounts exclude the effects of a one-time assessment of institutions with SAIF-insured deposits to recapitalize the SAIF.

RATE/VOLUME ANALYSIS

The table below sets forth certain information regarding changes in interest income and interest expense of the Association for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in volume (changes in volume multiplied by old rate), (2) changes in rate (changes in rate multiplied by average volume), and (3) changes in rate-volume (change in rate multiplied by change in average volume). The change in interest income and interest expense attributable to change in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Year Ended September 30,							
	1994 vs. 1993 Increase (Decrease) Due to				1995 vs. 1994 Increase (Decrease) Due to			
<S>	Volume <C>	Rate <C>	Rate/Vol <C>	Total <C>	Volume <C>	Rate <C>	Rate/Vol <C>	Total <C>
	(In Thousands)							
Interest income:								
Loan portfolio	$ 28,649	$(11,008)	$ (1,490)	$16,151	$30,891	$ (6,696)	$ 5,861	$ 30,056
Mortgaged-backed securities	22,401	(12,480)	(5,017)	4,904	27,470	753	(4,839)	23,384
Investments(1)	(10,619)	1,946	(150)	(8,823)	4,787	(2,086)	48	2,749
All interest-earning assets	40,431	(21,542)	(6,657)	12,232	63,148	(8,029)	1,070	56,189
Interest expense:								
Customer accounts	7,320	(6,819)	(710)	(209)	2,703	22,123	764	25,590
FHLB advances and other borrowings	9,129	(3,332)	(1,151)	4,646	33,598	4,181	3,770	41,549
All interest-bearing liabilities	16,449	(10,151)	(1,861)	4,437	36,301	26,304	4,534	67,139
Change in net interest income	$ 23,982	$(11,391)	$ (4,796)	$ 7,795	$26,847	$(34,333)	$(3,464)	$(10,950)

</TABLE>

<TABLE>
<CAPTION>

	Year Ended September 30,			
	1996 vs. 1995 Increase (Decrease) Due to			
	(In Thousands)			
<S>	Volume <C>	Rate <C>	Rate/Vol <C>	Total <C>
Interest income:				
Loan portfolio	$ 72,833	$ (4,217)	$ (1,330)	$ 67,286
Mortgaged-backed securities	(10,842)	999	(156)	(9,999)
Investments(1)	6,242	(2,374)	(710)	3,158
All interest-earning assets	68,233	(5,592)	(2,196)	60,445
Interest expense:				
Customer accounts	8,855	5,294	407	14,556
FHLB advances and other borrowings	29,908	(2,822)	(1,150)	25,936
All interest-bearing liabilities	38,763	2,472	(743)	40,492
Change in net interest income	$ 29,470	(8,064)	$ (1,453)	$ 19,953

</TABLE>

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(1) Includes interest on overnight investments and dividends on stock of the FHLB of Seattle.

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GAP ANALYSIS

The following table is intended as an illustration of the projected maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at September 30, 1996. The amounts of assets and liabilities shown which mature or reprice within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable rate mortgage-backed securities and loans are included in the period in which they are first scheduled to adjust and not in the period in which they mature, (ii) constant prepayment rates (CPR) ranging from 0% to 6%, based on contractual interest rates, seasoning, and asset type, were utilized for fixed rate loans and mortgage-backed and related securities, (iii) variable rate certificates of deposit which reprice monthly are included in the three month or less category, (iv) all of the Company's money market and negotiable order of withdrawal ("NOW") accounts are deemed to reprice or mature within the three month or less category and (v) all of the Company's passbook accounts are deemed to reprice or mature in the over five year category. Management believes that these assumptions approximate actual experience and considers them reasonable. The interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially, however, if different assumptions are used or if actual experience differs from the assumptions used:

<TABLE>
<CAPTION>

<S>	Within three months <C>	Four to twelve months <C>	Over one through three years <C>	Over three through five years <C>
	(Dollars in Thousands)			
Interest bearing earning assets:				
Investment securities(1)	$ --	$ 20,056	$ 94,887	$ 84,817
Mortgage-backed securities(2)				
Adjustable rate	39,702	33,509	--	--
Fixed rate	--	--	5	404
Adjustable rate mortgage loans	365,139	68,943	8,235	--
Fixed rate mortgage loans and other loans	140,213	416,750	764,702	767,563
Total	$ 545,054	$ 539,258	$ 867,829	$ 852,784
Interest-bearing liabilities:				
Deposits(3)	$ 960,278	$ 1,112,986	$ 197,848	$ 26,600
Borrowings	1,736,898	172,205	50,427	19
Total	$ 2,697,176	$ 1,285,191	$ 248,275	$ 26,619
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	$(2,152,122)	$ (745,933)	$ 619,554	$ 826,165
Cummulative excess (deficiency) of interest bearing earning assets over interest-bearing liabilities	$(2,152,122)	$(2,898,055)	$(2,278,501)	$(1,452,336)
Ratio of cummulative excess (deficiency) of interest-earning assets over interest-bearing liabilities to total assets	(42.07%)	(56.66%)	(44.55%)	(28.39%)

</TABLE>

<TABLE>
<CAPTION>

<S>	Over five years <C>	Totals <C>
Interest-earning assets:	$ 94,623	$ 294,383
Investment securities(1)		
Mortgage-backed securities(2)	--	73,211
Adjustable rate	792,267	792,676
Fixed rate	--	442,317
Adjustable rate mortgage loans	1,477,444	3,566,672
Fixed rate mortgage loans and other loans		
	$2,364,334	$5,169,259
Total		
Interest-bearing liabilities:	$ 182,508	$2,480,220
Deposits(3)	--	1,959,549
Borrowings		
	$ 182,508	$4,439,769
Total		

Excess (deficiency) of interest-earning assets over interst-bearing liabilities	$2,181,826	$ 729,490
Cummulative excess (deficiency) of interest-earning assets over interest-bearing liabilities	$ 729,490	
Ratio of cummulative excess (deficiency) of interest-earning assets over interest-bearing liabilities to total assets	14.26%	

</TABLE>

(1) Consists of held-to-maturity and available-for-sale securities. Available-for-sale securities have not been adjusted for unrealized net gains totalling $4.6 million at September 30, 1996.

(2) Consists of mortgage-backed securities available-for-sale and held-to-maturity, which have not been adjusted for net discounts totalling $15.6 million or unrealized net gains of $16.3 million at September 30, 1996.

(3) Does not include accrued interest payable, which amounted to $2.8 million at September 30, 1996.

SUBSIDIARIES

The Company is a non-diversified unitary savings and loan holding company who conducts its primary business through its only subsidiary, the Association. The Association has several wholly-owned subsidiaries which are discussed further below.

Washington Federal is permitted by current federal regulations to invest an amount up to 2% of its assets in stock, paid-in surplus and unsecured loans in service corporations. The Association may invest an additional 1% of its assets when the additional funds are utilized for community or inner-city purposes. In addition, federally-chartered savings institutions which are in compliance with regulatory capital requirements and other conditions also may make conforming loans to service corporations in which the lender owns or holds more than 10% of the capital stock in an aggregate amount of up to 50% of the loans-to-one borrower limitations contained in federal regulations. Savings institutions meeting these requirements also may make, subject to the loans-to-one borrower limitations, an unlimited amount of conforming loans to service corporations in which the lender does not own or hold more than 10% of the capital stock of certain other corporations meeting specified requirements.

At September 30, 1996, the Association was authorized under the current regulations to have a maximum investment of $101.9 million in its service corporations, exclusive of the additional 1% of assets investments permitted for community or inner-city purposes but inclusive of the ability to make conforming loans to its subsidiaries. On that date, the Association's investment in and unsecured loans to its four wholly-owned service corporations amounted to $28.2 million and the Association had $5.4 million in conforming loans outstanding to its subsidiaries.

At September 30, 1996, Washington Services, Inc. ("WSI"), a wholly-owned subsidiary of the Association, is presently developing a 301-acre light industrial center in the technology corridor of South Snohomish County, Washington, of which 123 buildable acres, with an investment of $13.2 million, remain unsold as of September 30, 1996. Based upon the sales history of this development, the Association believes the net realizable value from the sale of the remaining properties exceeds the subsidiary's basis in these properties.

First Insurance Agency, Inc., a wholly-owned subsidiary of the Association, is an insurance brokerage company which offers a full line of individual and business insurance products. The agency provides insurance to the Association at competitive rates.

First Federal Financial Services, Inc., a wholly-owned subsidiary of the Association, is incorporated under the laws of Idaho. The subsidiary is engaged in real estate development activities.

Freedom Vineyards, Inc., a wholly-owned subsidiary of WSI, is incorporated under the laws of California for the purpose of operating an agricultural property located in that state. The Association intends to sell this property, which is classified as real estate held for sale.

As a result of the acquisition of Metropolitan Bancorp the Company also acquired a 19% interest in the outstanding common stock of Phoenix Mortgage & Investment, Inc., a mortgage-banking company headquartered in Lynnwood, Washington which emphasizes the origination of single-family residential loans through seven loan origination offices located in northwest Washington.

A savings association is required to deduct the amount of the investment in, and extensions of credit to, a subsidiary engaged in any activities not permissible for national banks. Because the acquisition and development of real estate is not a permissible activity for national banks, the investments in and loans to the subsidiary of the Association which is engaged in such activities are subject to exclusion from the capital calculation. See "Regulation - Association--Regulatory Capital Requirements."

EMPLOYEES

As of September 30, 1996, the Company had approximately 602 employees, including the full-time equivalent of 55 part-time employees and its service corporation employees. None of these employees are represented by a collective bargaining agent, and the Company has enjoyed harmonious relations with its personnel.

EXECUTIVE OFFICERS

The following table sets forth certain information concerning individuals who are deemed to be executive officers of Washington Federal as of November 30, 1996.

<TABLE>
<CAPTION>

Names and Positions or Offices	Age	Business Experience during the last five years
<S>	<C>	<C>
Guy C. Pinkerton Director, President and Chief Executive Officer	62	Chairman since November 1994; Chief Executive Officer since October 1992; Director since October 1991; President since July 1988
Charles R. Richmond Director, Executive Vice President and Secretary	57	Executive Vice President and Secretary; Director since February 1995
Ronald L. Saper Executive Vice President and Chief Financial Officer	46	Executive Vice President and Chief Financial Officer since October 1991; previously served as Senior Vice President and Controller of Far West Federal Bank and as Senior Vice President and Chief Financial Officer of National Bancshares Corporation of Texas
William A. Cassels Executive Vice President	55	Executive Vice President
Lawrence D. Cierpiszewski Executive Vice President	53	Executive Vice President since October 1996; previously served as Senior Vice President; previously was Executive Vice
Patrick F. Patrick Executive Vice President	54	Executive Vice President with completion of merger with Metropolitan Bancorp.; previously served as President, Chief Executive Officer and Director of Metropolitan Bancorp.
Keith D. Taylor Senior Vice President and Treasurer	40	Senior Vice President and Treasurer since August 1992; Senior Vice President and Controller since December 1990;

previously was Vice President and
Controller

</TABLE>

REGULATION

Set forth below is a brief description of certain laws and regulations which relate to the regulation of the Company and the Association. The description of these laws and regulations, as well as descriptions of laws and regulations contained elsewhere herein, does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

THE COMPANY

GENERAL. The Company is registered as a savings and loan holding company under the HOLA and is subject to OTS regulation, examination, supervision and reporting requirements.

ACTIVITIES RESTRICTIONS. There are generally no restrictions on the activities of a savings and loan holding company which holds only one subsidiary savings institution. However, if the savings institution subsidiary of such a holding company fails to meet a qualified thrift lender ("QTL") test, then such unitary holding company also shall become subject to the activities restrictions applicable to multiple savings and loan holding companies and, unless the savings institution requalifies as a QTL within one year thereafter, shall register as, and become subject to the restrictions applicable to, a bank holding company. See "- The Association--Qualified Thrift Lender Test."

If the Company were to acquire control of another savings institution, other than through merger or other business combination with the Association, the Company would thereupon become a multiple savings and loan holding company. Except where such acquisition is pursuant to the authority to approve emergency thrift acquisitions and where each subsidiary savings institution meets the QTL test, the activities of the Company and any of its subsidiaries (other than the Association or other subsidiary savings institutions) would thereafter be subject to further restrictions. Among other things, no multiple savings and loan holding company or subsidiary thereof which is not a savings institution shall commence or continue for a limited period of time after becoming a multiple savings and loan holding company or subsidiary thereof any business activity, upon prior notice to, and no objection by the OTS, other than: (i) furnishing or performing management services for a subsidiary savings institution; (ii) conducting an insurance agency or escrow business; (iii) holding, managing, or liquidating assets owned by or acquired from a subsidiary savings institution; (iv) holding or managing properties used or occupied by a subsidiary savings institution; (v) acting as trustee under deeds of trust; (vi) those activities authorized by regulation as of March 5, 1987 to be engaged in by multiple savings and loan holding companies; or (vii) unless the Director of the OTS by regulation prohibits or limits such activities for savings and loan holding companies, those activities authorized by the Federal Reserve Board as permissible for bank holding companies. Those activities described in (vii) above also must be approved by the Director of the OTS prior to being engaged in by a multiple savings and loan holding company.

RESTRICTIONS ON ACQUISITIONS. Except under limited circumstances, savings and loan holding companies are prohibited from acquiring, without prior approval of the Director of the OTS, (i) control of any other savings institution or savings and loan holding company or substantially all the assets thereof or (ii) more than 5% of the voting shares of a savings institution or holding company thereof which is not a subsidiary. Except with the prior approval

of the Director of the OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may acquire control of any savings institution, other than a subsidiary savings institution, or of any other savings and loan holding company.

The Director of the OTS may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings institutions in more than one state if (i) the multiple savings and loan holding company involved controls a savings institution which operated a home or branch office located in the state of the institution to be acquired as of March 5, 1987; (ii) the acquiror is authorized to acquire control of the savings institution pursuant to the emergency acquisition provisions of the Federal

Deposit Insurance Act ("FDIA"); or (iii) the statutes of the state in which the institution to be acquired is located specifically permit institutions to be acquired by the state-chartered institutions or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions).

FEDERAL SECURITIES LAWS. The Company's Common Stock is registered with the Securities and Exchange Commission under Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"). The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements of the Exchange Act.

THE ASSOCIATION

GENERAL. The Association is a federally-chartered savings association, the deposits of which are federally insured and backed by the full faith and credit of the United States Government. Accordingly, the Association is subject to broad federal regulation and oversight by the OTS and the FDIC extending to all aspects of its operations. The Association is a member of the FHLB of Seattle and is subject to certain limited regulation by the Federal Reserve Board. The Association is a member of the SAIF and its deposits are insured by the SAIF fund administered by the FDIC. As a result, the FDIC has certain regulatory and examination authority over the Association.

FEDERAL SAVINGS ASSOCIATION REGULATION. The OTS has extensive authority over the operations of savings associations. As part of this authority, savings associations are required to file periodic reports with the OTS and are subject to periodic examinations by the OTS and the FDIC. Such regulation and supervision is primarily intended for the protection of depositors.

The investment and lending authority of the Association is prescribed by federal laws and regulations, and it is prohibited from engaging in any activities not permitted by such laws and regulations. These laws and regulations generally are applicable to all federally-chartered savings associations and many also apply to state-chartered savings associations.

INSURANCE OF ACCOUNTS. The deposits of the Association are insured up to $100,000 per insured member (as defined by law and regulation) by the SAIF and are backed by the full faith and credit of the United States Government. As insurer, the FDIC is authorized to conduct

examinations of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OTS an opportunity to take such action.

The Federal Deposit Insurance Act ("FDIA"), as amended on December 19, 1991, required the FDIC to promulgate regulations which establish a risk-based assessment system, and gave the FDIC the authority to promulgate regulations governing the transition from the fixed-rate assessment system to the risk-based assessment system. Under FDIC regulations, institutions are assigned to one of three capital groups - "well capitalized," "adequately capitalized" and "undercapitalized" - which are defined in the same manner as the regulations establishing the prompt corrective action system under Section 38 of the FDIA, as discussed under "Prompt Corrective Action" below. These three groups are then divided into subgroups which are based on supervisory evaluations by the institution's primary federal regulator, resulting in nine assessment classifications. Effective January 1, 1997 assessment rates for SAIF-insured institutions will range from 0% of insured deposits for well-capitalized institutions with minor supervisory concerns to .27% of insured deposits for undercapitalized institutions with substantial supervisory concerns. In addition, an additional assessment of 6.4 basis points will be added to the regular SAIF-assessment until December 31, 1999 in order to cover Financing Corporation debt service payments.

Both the SAIF and the Bank Insurance Fund ("BIF"), the federal deposit insurance fund that covers the deposits of state and national banks and certain state savings banks, are required by law to attain and thereafter maintain a reserve ratio of 1.25% of insured deposits. The BIF has achieved the required reserve ratio, and as a result, the FDIC reduced the average deposit insurance premium paid by BIF-insured banks to a level substatially below the average premium paid by savings institutions. Banking legislation was enacted September 30, 1996 to eliminate the premium differential between SAIF-insured institutions and BIF-insured institutions. The legislation provided that all insured depository institutions with SAIF-assessable deposits as of March 31, 1995 pay a special one-time assessment to recapitalize the SAIF. Pursuant to this legislation, the FDIC promulgated a rule that established the special assessment necessary to recapitalize the SAIF at 65.7 basis points of SAIF-assessable deposits held by affected institutions as of March 31, 1995. Based upon its level of SAIF deposits as of March 31, 1995, the Association paid a special assessment of $15.0 million. The assessment was accrued in the quarter ended September 30, 1996.

Another component of the SAIF recapitalization plan provides for the merger to the SAIF and the BIF on January 1, 1999, if no insured depository institution is a savings association on that date. If legislation is enacted which requires the Association to convert to a bank charter, the Company would become a bank holding company subject to the more restrictive activity limits imposed on bank holding companies unless special grandfather provisions are included in such legislation. The Company does not believe that its activities would be materially affected in the event that it was required to become a bank holding company.

REGULATORY CAPITAL REQUIREMENTS. Federally insured savings associations are required to maintain minimum levels of regulatory capital. Pursuant to federal law, the OTS has established capital standards applicable to all savings associations. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The capital regulations create three capital requirements: a tangible capital requirement, a leverage or core capital requirement and a risk-based capital requirement. All savings associations must have tangible capital of at least 1.5% of adjusted total assets (as defined in the regulations). For purposes of this requirement, tangible capital is core capital less all intangibles other than certain purchased mortgage servicing rights (of which the Association has none). Core capital includes common stockholders' equity, non-cumulative perpetual preferred stock and related surplus and minority interests in consolidated subsidiaries, less intangibles (unless included under certain limited conditions, but in no event exceeding 25% of core capital), plus purchased mortgage servicing rights in an amount not to exceed 50% of core capital.

The current leverage or core capital requirement is core capital, as defined above, of at least 3% of adjusted total assets.

The risk-based capital standard adopted by the OTS currently requires savings associations to maintain a minimum ratio of total capital to risk-weighted assets of 8%. Total capital consists of core capital, defined above, and supplementary capital. Supplementary capital consists of certain capital instruments that do not qualify as core capital, and general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only in an amount equal to the amount of core capital. In determining the required amount of risk-based capital, total assets, including certain off-balance sheet items, are multiplied by a risk weight based on the risks inherent in the type of assets. The risk-weighing categories range from 0% for low-risk assets such as U.S. Treasury securities and GNMA securities to 100% for various types of loans and other assets deemed to be of higher risk. Single family mortgage loans having loan-to-value ratios not exceeding 80% and meeting certain additional criteria, as well as certain multi-family residential property loans, qualify for a 50% risk-weight treatment. The book value of each asset is multiplied by the risk-weighting applicable to the asset category, and the sum of the products of this calculation equals total risk-weighted assets.

OTS regulations impose special capitalization standards for savings associations that own service corporations and other subsidiaries. In addition, certain exclusions from capital and assets are required when calculating total capital in addition to the adjustments for calculating core capital. These adjustments do not materially affect the regulatory capital of the Association.

For information regarding the Association's compliance with each of its three capital requirements at September 30, 1996, see Note P to the Consolidated Financial Statements.

In August 1993, the OTS adopted a final rule incorporating an interest-rate risk component into the risk-based capital regulation. Under the rule, an institution with a greater than "normal" level of interest rate risk is subject to a deduction of its interest rate risk component from total capital for purposes of calculating its risk-based capital. As a result, such an institution is required to maintain additional capital in order to comply with the risk-based capital requirement. The final rule was originally to be effective as of January 1, 1994; however, its effectiveness has been delayed several times. In August 1995, the OTS issued Thrift Bulletin No. 67, which allows eligible institutions to request adjustment to their interest rate risk component as calculated by the OTS, or to request to use their own models to calculate their interest rate component. The OTS also indicated that it will continue to delay the effectiveness of its interest rate risk rule requiring institutions with above normal interest rate risk exposure to adjust their regulatory capital requirement until new procedures are implemented and evaluated.

Any savings association that fails any of the capital requirements is subject to possible enforcement actions by the OTS or the FDIC. Such actions could include a capital directive, a cease and desist order, civil money penalties, the establishment of restrictions on an association's operations and the appointment of a conservator or receiver. The OTS' capital regulation provides that such actions, through enforcement proceedings or otherwise, could require one or more of a variety of corrective actions.

PROMPT CORRECTIVE ACTION. Under federal law, each federal banking agency has implemented a system of prompt corrective action for institutions which it regulates. Under OTS regulations, an institution shall be deemed to be (i) "well capitalized" if it has total risk-based capital of 10.0% or more, has a Tier I risk-based capital ratio of 6.0% or more, has a Tier I leverage capital ratio of 5.0% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier I risk-based capital ratio of 4.0% or more and a Tier I leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of "well capitalized," (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, a Tier I risk-based capital ratio that is less than 4.0% or a Tier I leverage capital ratio that is less than 4.0% (3.0% under certain circumstances), (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 3.0% or a Tier I leverage capital ratio that is less than 3.0%, and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. Federal law authorizes the OTS to reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized). As of September 30, 1996, the Association exceeded the requirements of a well capitalized institution.

LIQUIDITY REQUIREMENTS. All savings associations are required to maintain an average daily balance of liquid assets equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. The

liquidity requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. At the present time, the required liquid asset ratio is 5%.

Liquid assets for purposes of this ratio include specified short-term assets (e.g., cash, certain time deposits, certain banker's acceptances and short-term United States Government obligations), and long-term assets (e.g., United States Government obligations of more than one and less than five years and state agency obligations with a minimum term of 18 months). The regulations governing liquidity requirements include as liquid assets debt securities hedged with forward commitments obtained from, or debt securities subject to repurchase agreements with, members of the Association of Primary Dealers in United States Government securities or banks whose accounts are insured by the FDIC, debt securities directly hedged with a short financial futures position, and debt securities that provide the holder with a right to redeem the security at par value, regardless of the stated maturities of such securities. Certain mortgage-related securities with less than one year to maturity may be designated as liquid assets. Short-term liquid assets currently must constitute at least 1% of an association's average daily balance of net withdrawable deposit accounts and current borrowings. Monetary penalties may be imposed upon associations for violations of liquidity requirements.

QUALIFIED THRIFT LENDER TEST. A savings association that does not meet a QTL test set forth in the HOLA and implementing regulations must either convert to a bank charter or comply with the following restrictions on its operations: (i) the association may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for a national bank; (ii) the branching powers of the association shall be restricted to those of a national bank; (iii) the association shall not be eligible to obtain any advances from its FHLB; and (iv) payment of dividends by the association shall be subject to the rules regarding payment of dividends by a national bank. Upon the expiration of three years from the date the association ceases to be a QTL, it must cease any activity and not retain any investment not permissible for a national bank and immediately repay any outstanding FHLB advances (subject to safety and soundness considerations).

Under recent legislation and applicable regulations, any savings institution is a QTL if (i) it qualifies as a domestic building and loan association under Section 7701(a)(19) of the Internal Revenue Code (which generally requires that at least 60% of the institution's assets constitute housing-related and other qualifying assets) or (ii) at least 65% of the institution's "portfolio assets" (as defined) consist of certain housing and consumer-related assets on a monthly average basis in at least nine out of every 12 months. At September 30, 1996, the Association was in compliance with the QTL test.

TRANSACTIONS WITH AFFILIATES. Under federal law, all transactions between and among a savings association and its affiliates, which include holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act. Generally, these requirements limit these transactions to a percentage of the association's capital and require all of them to be on terms at least as favorable to the association as transactions with non-affiliates. In addition, a savings association may not lend to any affiliate engaged in non-banking activities not permissible for a bank holding

company or acquire shares of any affiliate not a subsidiary. The OTS is authorized to impose additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a savings association. The OTS regulations also set forth various reporting requirements relating to transactions with affiliates.

Extensions of credit by a savings association to executive officers, directors and principal shareholders are subject to Section 22(h) of the Federal Reserve Act, which, among other things, generally prohibits loans to any such individual where the aggregate amount exceeds an amount equal to 15% of an institution's unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral.

Section 22(h) permits loans to directors, executive officers and principal stockholders made pursuant to a benefit or compensation program that is widely available to employees of a subject savings association provided that no preference is given to any officer, director, or principal shareholder or related interest thereto over any other employee. In addition, the aggregate amount of extensions of credit by a savings institution to all insiders cannot exceed the institution's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers.

RESTRICTIONS ON CAPITAL DISTRIBUTIONS. OTS regulations impose limitations on capital distributions by savings associations, including cash dividends, stock redemptions or repurchases, cash-out mergers, interest payments on certain convertible debt and other transactions charged to the capital account of a savings association to make capital distributions. Generally, the regulation creates a safe harbor for specified levels of capital distributions from associations meeting at least their minimum capital requirements, so long as such associations notify the OTS and receive no objection to the distribution from the OTS. Associations and distributions that do not qualify for the safe harbor are required to obtain prior OTS approval before making any capital distributions.

As of September 30, 1996, the Association is a Tier 1 institution which can make capital distributions during any calendar year equivalent to 100% of net income for the calendar year-to-date plus 50% of its "surplus capital ratio" at the beginning of the calendar year. The "surplus capital ratio" is defined to mean the percentage by which the association's ratio of total capital to assets exceeds the ratio of its fully phased-in capital requirement to assets, and "fully phased-in capital requirement" is defined to mean an association's capital requirement under the statutory and regulatory standards applicable on December 31, 1994, as modified to reflect any applicable individual minimum capital requirement imposed upon the association. The OTS has approved the Association's capital distribution plan through the calendar year 1997.

On December 5, 1994, the OTS published a notice of proposed rulemaking to amend its capital distribution regulation. Under the proposal, savings institutions would be permitted to only make capital distributions that would not result in their capital being reduced below the level required to remain "adequately capitalized" as defined in the OTS prompt corrective action regulations. The Association would continue to be required to provide notice to the OTS of its intent to make a capital distribution. Management does not believe that the proposal will adversely affect the Association's ability to make capital distributions if it is adopted substantially as proposed.

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FEDERAL HOME LOAN BANK SYSTEM. The Association is a member of the FHLB of Seattle, which is one of 12 regional FHLBs that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB. At September 30, 1996, the Association's advances from the FHLB amounted to $1.2 billion.

As a member, the Association is required to purchase and maintain stock in the FHLB of Seattle in an amount equal to at least 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year. At September 30, 1996, the Association had $64.5 million in FHLB stock, which was in compliance with this requirement.

Recent changes in federal law now require the FHLBs to provide funds for the resolution of troubled savings associations and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid and could continue to do so in the future. These contributions also could have an adverse effect on the value of FHLB stock in the future.

FEDERAL RESERVE SYSTEM. The Federal Reserve Board requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. At September 30, 1996, the Association was in compliance with its reserve requirements.

The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy applicable liquidity requirements. Because required reserves must be maintained in the form of vault cash or a noninterest- bearing account at a Federal Reserve Bank, the effect of this reserve requirement is to reduce the Association's earning assets. Savings institutions also have authority to borrow from the Federal Reserve Board's "discount window," but Federal Reserve Board regulations require them to exhaust all FHLB sources before borrowing in this manner.

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TAXATION

FEDERAL TAXATION

For federal and state income tax purposes, the Company reports its income and expenses on the accrual basis method of accounting and files its federal and state income tax returns on a September 30 fiscal year basis. The Company files consolidated federal and state income tax returns with its wholly-owned subsidiaries.

Washington Federal is subject to those rules of federal income taxation generally applicable to corporations. Historically, savings institutions which met certain definitional tests primarily relating to their assets and the nature of their businesses were permitted to establish a reserve for bad debts and to make annual additions thereto, which additions were subject to specified formula limits, deducted in arriving at the institution's income. The maximum bad debt deduction allowable under the percentage of taxable income method ("Percentage Method') was 8% and, as a result, the effective federal income tax rate for the Association, absent other factors, was approximately 32.2%.

Legislation adopted in August 1996 (i) repealed the provision of the Code which authorizes use of the Percentage Method by qualifying savings institutions to determine deductions for bad debts, effective for taxable years beginning after 1995, and (ii) required that a savings institution recapture for tax purposes (i.e. take into income) over a six-year period its applicable excess reserves, which for a thrift institution such as the Association generally is the excess of the balance of its bad debt reserves as of the close of its last taxable year beginning before January 1, 1996 over the balance of such reserves as of the close of its last taxable year beginning before January 1, 1988, which recapture would be suspended for any tax year that begins after December 31, 1995 and before January 1, 1998 (thus a maximum of two years) in which a savings institution originates an amount of residential loans which is not less than the average of the principal amount of such loans made by a savings institution during its six most recent taxable years beginning before January 1, 1996. These provisions did not have a material adverse effect on the Company's financial condition or operations.

Washington Federal's tax returns have been examined through the year ended September 30, 1990.

STATE TAXATION

The State of Washington does not have an income tax. A business and occupation tax based on a percentage of gross receipts is assessed against businesses; however, interest received on loans secured by mortgages or deeds of trust on residential properties is not subject to this tax.

The State of Idaho has a corporate income tax with a statutory rate of 8% of apportionable income.

The State of Oregon has a corporate excise tax with a statutory rate of 6.6% of apportionable income.

The State of Utah has a corporate franchise tax with a statutory rate of 5% of apportionable income.

The State of Arizona has a corporate income tax with a statutory rate of 9.3% of apportionable income.

ITEM 2. PROPERTIES

The Association owns the building in which its home and executive offices are located, in Seattle, Washington. The following table sets forth certain information concerning the Association's offices:

<TABLE>
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Location	Number of Offices	Building Owned	Building Leased(1)	Net Book Value at September 30, 1996 (2) (In Thousands)
Washington	32	18	14	$15,409
Idaho	20	16	4	5,952
Oregon	21	12	9	5,779
Utah	11	6	5	8,160
Arizona	9	5	4	2,495
Total	93	57	36	$37,795

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(1) The leases have varying terms expiring from 1996 through 2070, including renewal options.

(2) Amount represents land and improvements with respect to properties owned by the Association and represents the book value of leasehold improvements, where applicable.

Washington Federal evaluates on a continuing basis the suitability and adequacy of its offices, both branches and administrative centers, and has an active program of opening, relocating, remodeling, or closing them as necessary to maintain efficient and attractive premises.

Washington Federal's net investment in premises, equipment and leaseholds was $41.9 million at September 30, 1996.

ITEM 3. LEGAL PROCEEDINGS

The Association is involved in legal proceedings occurring in the ordinary course of business which in the aggregate are believed by management to be immaterial to the financial condition of the Association.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required herein is incorporated by reference from page 27 of the Company's Annual Report to Stockholders for Fiscal 1996 ("Annual Report"), which is included herein as Exhibit 13.

ITEM 6. SELECTED FINANCIAL DATA

The information required herein is incorporated by reference from page 26 of the Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required herein is incorporated by reference on pages 4 through 7 of the Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required herein are incorporated by reference from pages 8 through 25 and page 27 of the Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required herein is included under Item 1 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information required herein is incorporated by reference to pages 11 to 14 of the proxy statement dated December 20, 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required herein is incorporated by reference to pages 2 to 3 and 5 to 8 of the proxy statement dated December 20, 1996.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required herein is incorporated by reference to page 16 of the proxy statement dated December 20, 1996.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) The following financial statements are incorporated herein by reference from pages 8 through 25 and page 27 of the Annual Report.

Report of Independent Certified Public Accountants

Consolidated Statements of Financial Condition as of September 30, 1996 and 1995

Consolidated Statements of Operations for each of the years in the three year period ended September 30, 1996

Consolidated Statements of Stockholders' Equity for each of the years in the three year period ended September 30, 1996

Consolidated Statements of Cash Flows for each of the years in the three year period ended September 30, 1996

Notes to Consolidated Financial Statements

(a)(2) There are no financial statement schedules filed herewith.

(a)(3) The following exhibits are filed as part of this report.

No.	Exhibit	Page
3.1	Articles of Incorporation of the Company	(1)
3.2	Bylaws of the Company	(1)
4	Specimen Common Stock Certificate	(1)
10.1	1982 Employee Stock Compensation Program*	(1)
10.2	1987 Stock Option and Stock Appreciation Rights Plan*	(1)
10.3	1994 Stock Option and Stock Appreciation Rights Plan*	(1)
13	Annual Report to Stockholders	
21	Subsidiaries of the Company - Reference is made to Item 1, "Business - Subsidiaries" for the required information	--
23	Consent of Independent Public Accountants	

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* Management contract or compensation plan.

(1) Incorporated by reference from the Registrant's Registration Statement on Form 8-B filed with the SEC on January 26, 1995.

(c) See (a)(3) above for all exhibits filed herewith and the Exhibit Index.

(d) All schedules are omitted as the required information is not applicable or the information is presented in the Consolidated Financial Statements or related notes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASHINGTON FEDERAL, INC.

December 23, 1996 By: /s/ Guy C. Pinkerton

Date

Guy C. Pinkerton,Chairman,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Kermit O. Hanson	December 23, 1996
Kermit O. Hanson, Director	Date
/s/ W. Alden Harris	December 23, 1996
W. Alden Harris, Director	Date
/s/ Anna C. Johnson	December 23, 1996
Anna C. Johnson, Director	Date
/s/ John F. Clearman	December 23, 1996
John F. Clearman, Director	Date
/s/ H. Dennis Halvorson	December 23, 1996
H. Dennis Halvorson, Director	Date

/s/ E. W. Mersereau, Jr.	December 23, 1996
E. W. Mersereau, Jr., Director and Vice Chairman of the Board	Date
/s/ Guy C. Pinkerton	December 23, 1996
Guy C. Pinkerton, Director, Chairman, President and Chief Executive Officer	Date
/s/ Richard C. Reed	December 23, 1996
Richard C. Reed, Director	Date
/s/ Charles R. Richmond	December 23, 1996
Charles R. Richmond, Director, Executive Vice President and Secretary	Date
/s/ Ronald L. Saper	December 23, 1996
Ronald L. Saper, CPA, Executive Vice President and Chief Financial Officer (principal financial officer)	Date
/s/ Keith D. Taylor	December 23, 1996

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Keith D. Taylor, CPA, Senior Vice President Date
and Treasurer
(principal accounting officer)

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FINANCIAL HIGHLIGHTS

September 30,	1996	1995	% Change
	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
Assets	$5,114,978	$4,577,402	+12%
Investment securities	299,006	256,661	+17
Loans receivable	3,723,016	3,034,027	+23
Mortgage-backed securities	866,605	1,080,854	-20
Customer accounts	2,480,220	2,445,335	+1
Federal Home Loan Bank (FHLB) advances and other borrowings	1,959,549	1,484,087	+32
Stockholders' equity	577,702	575,929	
Net income	79,895	78,343	+2
Net income per share	1.88	1.79	+5
Dividends per share	.90	.82	+10
Stockholders' equity per share	14.20	13.47	+5
Shares outstanding	40,695	38,874	+5
Return on average stockholders' equity	13.73%	13.99%	-2
Return on average assets	1.63%	1.87%	-13
Return on average stockholders' equity, excluding SAIF special assessment	15.37%	13.99%	+10
Return on average assets, excluding SAIF special assessment	1.82%	1.87%	-3

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

On February 3, 1995, Washington Federal, Inc. (the "Company") completed its reorganization into a savings and loan holding company structure (the "reorganization"). The Company's predecessor, Washington Federal Savings (the "Association") became a wholly-owned subsidiary of the Company as a result of the reorganization.

INTEREST RATE RISK

The Association assumes a high level of interest rate risk as a result of its policy to originate fixed-rate single family home loans which are longer-term in nature than the short-term characteristics of its liabilities of customer accounts and borrowed money. At September 30, 1996, the Association had $2,887,141,000 more liabilities subject to repricing in the next year than assets subject to repricing. This amounted to a negative maturity gap of 56.4% of total assets.

Fiscal 1996 began with the continued trend of contracting interest rate spreads as the December, 1995 first quarter closed with a 2.55% interest rate spread. It was the tenth consecutive quarterly decline in interest rate spreads. To counter the contraction of the interest rate spread, the Association continued its strategy of utilizing its borrowing capacity, associated with its strong capital position, and expanded the balance sheet during that phase of the interest rate cycle by placing more emphasis on residential loan production. FHLB advances and other borrowed money increased to an equivalent of 38.3% of total assets at September 30, 1996, compared to 32.4% of total assets at September 30, 1995.

As fiscal 1996 progressed, the differential between short-term interest rates and long-term interest rates began to widen, resulting in an expanding interest rate spread during the final three quarters of the year and culminating with the 2.95% interest rate spread at September 30, 1996. As the interest rate spread began to expand, the Association began a phase of controlled growth by choosing not to purchase any mortgage-backed securities during fiscal 1996 and by de-emphasizing wholesale loan production.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net worth at September 30, 1996 was $577,702,000 or 11.3% of total assets. This is an increase of $1,773,000 from September 30, 1995 when net worth was $575,929,000 or 12.6% of total assets. The ratio of net worth to total assets remains at a high level despite a 12% increase in assets during fiscal 1996, the distribution of $37.8 million in cash dividends, and the utilization of $46.1 million of cash to repurchase Company stock.

In March, 1996 the Board of Directors of the Company authorized the repurchase of 2,000,000 shares of the Company's outstanding common stock. The repurchase program supplements the program previously authorized in February, 1995, which allowed the repurchase of up to 5%, or 2,087,858 shares of outstanding common stock. Through September 30, 1996, 3,316,326 of the shares authorized have been repurchased, including 2,140,442 at an average price of $21.54 per share during fiscal 1996. The Company has negotiated a $40,000,000 revolving credit facility to fund the repurchase of outstanding common stock (see Note L).

The Association's percentage of net worth to total assets is among the highest in the nation and is approximately three times the minimum required under Office of Thrift Supervision ("OTS") regulations (see Note P). Management believes this strong net worth position will help protect earnings against interest rate risk and will enable it to compete more effectively for controlled growth through acquisitions and customer deposit increases.

Customer accounts increased $34,885,000 from a year ago despite a de-emphasis of attracting governmental deposits which declined $56,209,000. After excluding governmental deposits, customer accounts grew $91,094,000, largely due to our branch expansion in Arizona and Washington. The one percent increase in customer accounts is modest and can be attributed to the disintermediation of funds to the stock and bond markets.

The Association's cash and investment securities amounted to $318,641,000, a $38,812,000 increase from a year ago. The Association purchased $48.8 million of tax-preferred investment securities, which replaced the $21.1 million of tax-free municipal securities that matured during the year. The remaining $10.1 million net increase of cash and investment securities were U.S. government agency securities that supplemented the liquidity requirements of the Association.

The minimum liquidity levels of the Association are governed by the regulations of the OTS. Liquidity is defined as the ratio of average cash and eligible unpledged investment securities to the sum of average withdrawable savings plus short-term (one year) borrowings. Currently the Association is required to maintain short-term liquidity at one percent and total liquidity at five percent. At September 30, 1996, total liquidity was 5.82% compared to 5.68% at September 30, 1995.

CHANGES IN FINANCIAL POSITION

AVAILABLE-FOR-SALE AND HELD-TO-MATURITY SECURITIES. On October 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Other than at the adoption of SFAS No. 115, no transfers between the held-to-maturity and available-for-sale categories were to be made without causing the entire portfolio to be reclassified as available-for-sale. However, in November 1995, the Financial Accounting Standards Board issued a question and answer bulletin which allowed companies subject to SFAS No. 115 to make a one-time transfer between held-to-maturity and available-for-sale categories. The Company evaluated its securities portfolio before January 1, 1996, and categorized an additional $215,489,000 as available-for-sale.

The Company purchased $181,230,000 of U.S. government and agency securities during the year, all of which were categorized as available-for-sale.

The Company had $165,719,000 of gross sales of securities resulting in $3.4 million of gains and $1.9 million of losses. Of the sales $136,116,000 were mortgage-backed securities resulting in $3.4 million of gains and $1.5 million of losses, and $29,603,000 were U.S. government and agency securities resulting in losses of $401,000. All of the securities sold were categorized as available-for-sale. As of September 30, 1996, the Company had unrealized gains on its available-for-sale portfolio of $13 million, net of tax, which are recorded as part of stockholders' equity.

LOANS RECEIVABLE. Loans receivable grew 23% during fiscal 1996 to $3,723,016,000 at September 30, 1996 from $3,034,027,000 a year earlier. The increased balance results from record loan originations of $1,556,268,000, an increase of 27% from the prior year.

REAL ESTATE HELD FOR SALE. The balance at September 30, 1996 was $33,491,000, a 4% increase, over the $32,129,000 of one year ago.

FHLB STOCK. The Association purchased $15,500,000 of FHLB stock during the fiscal year and the dividend yield improved to 8% at September 30, 1996 compared with 7% at September 30, 1995. The Association had a balance of $64,530,000 at September 30, 1996 compared with $45,134,000 one year ago.

COSTS IN EXCESS OF NET ASSETS ACQUIRED. The Company periodically monitors these assets for potential impairment in accordance with SFAS No. 121 "Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". As of September 30, 1996, there was no impairment of the costs in excess of net assets acquired. If necessary, the Company will provide for any diminution in value of these assets should an impairment be identified.

CUSTOMER ACCOUNTS. Customer accounts at September 30, 1996 were $2,480,220,000 compared with $2,445,335,000 at September 30, 1995. See Liquidity and Capital Resources above.

FHLB ADVANCES AND OTHER BORROWINGS. Total borrowings increased to $1,959,549,000. See Interest Rate Risk above.

RESULTS OF OPERATIONS

GENERAL

Fiscal 1996 net income before the Savings Association Insurance Fund ("SAIF") special assessment increased 18% over fiscal 1995. See Note S - Selected Quarterly Financial Data (Unaudited) for highlights of the quarter by quarter results for the years ended September 30, 1996 and 1995.

The net interest income improved each quarter of 1996 as interest rate spreads improved the last three quarters of the fiscal year as indicated in the table below.

<TABLE>
<CAPTION>

	Dec 31 1994	Mar 31 1995	Jun 30 1995	Sep 30 1995	Dec 31 1995	Mar 31 1996	Jun 30 1996	Sep 30 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate on loans and mortgage-backed securities	8.19%	8.25%	8.30%	8.26%	8.22%	8.15%	8.14%	8.16%
Interest rate on investment securities*	8.06	8.01	7.91	7.69	7.55	7.34	7.62	7.47
Combined	8.18	8.23	8.27	8.22	8.17	8.10	8.10	8.11
Interest rate on customer accounts	4.55	5.12	5.46	5.51	5.52	5.19	4.98	4.93
Interest rate on borrowings	6.09	6.06	6.03	5.87	5.77	5.50	5.49	5.45
Combined	5.08	5.44	5.67	5.65	5.62	5.32	5.20	5.16
Interest rate spread	3.10%	2.79%	2.60%	2.57%	2.55%	2.78%	2.90%	2.95%

</TABLE>

*Includes municipal bonds at tax-equivalent rates.

The interest rate spread improved during fiscal 1996 from 2.57% at September 30, 1995 to 2.95% at September 30, 1996.

COMPARISON OF FISCAL 1996 RESULTS WITH FISCAL 1995

Net interest income increased $19,953,000 (13%) in fiscal 1996 over fiscal 1995. This resulted from the Company's balance sheet expansion and the improved interest rate spread the last three quarters of fiscal 1996.

Interest on loans and mortgage-backed securities increased $57,287,000 (18%) in fiscal 1996 from 1995. The increase is associated with the leveraging described earlier resulting in total outstanding loans and mortgage-backed securities increasing to $4,589,621,000 at September 30, 1996 from $4,114,881,000 at the beginning of fiscal 1996. Average interest rates on loans and mortgage-backed securities decreased to 8.16% from 8.26% one year ago.

Interest and dividends on investment securities increased $3,158,000 (15%) in fiscal 1996 from fiscal 1995. The weighted average yield declined to 7.47% at September 30, 1996 compared with 7.69% at September 30, 1995. The combined investment securities and FHLB stock portfolio increased to $363,536,000 at September 30, 1996 versus $301,795,000 one year ago.

Interest on customer accounts increased 13% to $129,904,000 for fiscal 1996 from the $115,348,000 for fiscal 1995. The average cost of customer accounts decreased to 4.93% at year end, compared to the 5.51% rate of one year ago.

Interest on FHLB advances and other borrowings increased $25,936,000 (36%) in fiscal 1996 over fiscal 1995. The leveraging described earlier was the predominant reason for the increase, while average rates paid declined at September 30, 1996 to 5.45% versus 5.87% at September 30, 1995.

The provision for loan losses increased $3,828,000 (39%) in fiscal 1996 from fiscal 1995. All of the provision for loan losses were for general reserves which were established to provide for the inherent risks associated with the expanded loan portfolio.

Other income decreased $3,787,000 (39%) in fiscal 1996 over fiscal 1995. Gains on the sale of available-for-sale securities totalled $1,444,000 in fiscal 1996 compared to $4,518,000 in fiscal 1995.

Other expense increased $17,082,000 (47%) in fiscal 1996 over fiscal 1995. Of the increase, $15,026,000 relates to the SAIF special assessment and is a non-recurring charge. The remainder of the increase is due to general inflationary increases plus the incremental costs associated with the branch network expansion. The branch network expanded to 93 offices at September 30, 1996 versus 87 offices at September 30, 1995. Other expense for fiscal 1996 equalled .78% of average assets compared to .86% in fiscal 1995, while the number of staff, including part-time employees on an equivalent full-time basis, were 602 and 563, for the same periods, respectively.

Income taxes decreased $191,000 in fiscal 1996. The effective tax rate was 36% for both fiscal 1996 and fiscal 1995.

COMPARISON OF FISCAL 1995 RESULTS WITH FISCAL 1994

Net interest income decreased $10,950,000 (7%) in fiscal 1995 over fiscal 1994. This resulted from the continued contraction of the interest spread which has declined for nine consecutive quarters.

Interest on loans and mortgage-backed securities increased $53,440,000 (20%) in fiscal 1995 from 1994. The increase is associated with the leveraging described earlier resulting in total outstanding loans and mortgage-backed securities increasing to $4,114,881,000 at September 30, 1995 from $3,400,583,000 at the beginning of fiscal 1995. Average interest rates on loans and mortgage-backed securities increased to 8.26% from 7.99% one year ago.

Interest and dividends on investment securities increased $2,749,000 (15%) in fiscal 1995 from fiscal 1994. The weighted average yield declined to 7.69% at September 30, 1995 compared with 8.00% at September 30, 1994. The combined investment securities and FHLB stock portfolio increased to $301,795,000 at September 30, 1995 versus $271,844,000 one year ago.

Interest on customer accounts increased 29% to $115,348,000 for fiscal 1995 from the $89,758,000 for fiscal 1994. The average cost of customer accounts increased to 5.51% at year end compared to the 4.22% rate of one year ago. Interest on FHLB advances and other borrowings increased $41,549,000 (133%) in fiscal 1995 over fiscal 1994.

The leveraging described earlier was a big factor, however rates played a big part as the average rates paid at September 30, 1995 were 5.87% versus 5.17% at September 30, 1994.

The provision for loan losses increased $5,844,000 (1,457%) in fiscal 1995 from fiscal 1994. Most of the increase, $4.6 million, was associated with two commercial real estate loans.

Other income increased $1,345,000 (16%) in fiscal 1995 over fiscal 1994. Gains on the sale of available-for-sale securities totalled $4,518,000 in fiscal 1995 compared to $2,321,000 in fiscal 1994.

Other expense increased $2,709,000 (8%) in fiscal 1995 over fiscal 1994 due to general inflationary increases plus the incremental costs associated with the branch network expansion. Other expense for fiscal 1995 equalled .86% of average assets

compared to .97% in fiscal 1994, while the number of staff, including part-time employees on an equivalent full-time basis, were 563 and 537, for the same periods, respectively.

Income taxes decreased $4,854,000 (10%) in fiscal 1995 due to a lower taxable income base. The effective tax rate was 36% for fiscal 1995 versus 35% for 1994.

MERGER WITH METROPOLITAN BANCORP

On July 12, 1996 the Company announced the merger with Metropolitan Bancorp, Seattle, Washington. The transaction closed subsequent to the Company's fiscal year after receiving the necessary regulatory and stockholder approvals. Company stock was issued to Metropolitan stockholders in exchange for their shares. For further details of the transaction, see Note B.

RECENTLY ENACTED LEGISLATION IMPACTING FINANCIAL INSTITUTIONS

On August 20, 1996 the Small Business Job Protection Act ("Job Act") was signed into law. The Job Act eliminated the special reserve rules contained in Section 593 of the Internal Revenue Code including the "percentage of taxable income" method of computing deductions for bad debts which the Company currently utilizes. As a result the Company must adopt the specific chargeoff method. Furthermore, the Job Act requires post-1987 reserve accumulations to be recaptured, however the Company has determined that no reserves are subject to recapture. See Note M for further details.

On September 30, 1996 the Omnibus Appropriation's Bill ("Omnibus Act") was signed into law. The Omnibus Act included provisions to recapitalize the SAIF of

Federal Deposit Insurance Corporation ("FDIC"). The recapitalization requires SAIF members, including the Company, to pay a one-time special assessment of 65.7 basis points which equals $15,026,000 pre-tax, after which the Company's annual premium to the FDIC will decline from 23 basis points to 6.4 basis points, or an annual savings of $4 million. See Note J for further discussion.

IMPACT OF INFLATION AND CHANGING PRICES

The Consolidated Financial Statements and related Notes presented elsewhere herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike many industrial companies, substantially all of the assets and virtually all of the liabilities of the Association are monetary in nature. As a result, interest rates have a more significant impact on the Association's performance than the general level of inflation. Over short periods of time, interest rates may not necessarily move in the same direction or in the same magnitude as inflation.

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
ASSETS		
Cash	$19,635	$23,168
Available-for-sale securities	533,615	361,625
Held-to-maturity securities, fair value of $629,649 and $992,500	631,996	975,890
Loans receivable	3,723,016	3,034,027
Interest receivable	34,628	31,441
Premises and equipment, net	41,885	39,930
Real estate held for sale	33,491	32,129
FHLB stock	64,530	45,134
Costs in excess of net assets acquired	27,457	31,002
Other assets	4,725	3,056
	$5,114,978	$4,577,402
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Customer accounts		
Savings and demand accounts	$2,423,885	$2,371,099
Repurchase agreements with customers	56,335	74,236
	2,480,220	2,445,335
FHLB advances	1,162,000	527,000
Other borrowings, primarily securities sold under agreements to repurchase	797,549	957,087

</TABLE>

<TABLE>

<S>	<C>	<C>
Advance payments by borrowers for taxes and insurance	23,516	23,222
Federal and state income taxes, including net deferred of $37,910 and $31,577	38,040	32,542
Accrued expenses and other liabilities	35,951	16,287
	4,537,276	4,001,473
STOCKHOLDERS' EQUITY		
Common stock, $1.00 par value, 100,000,000 shares authorized; 44,011,776 and 39,943,213 shares issued; 40,695,450 and 38,874,228 shares outstanding	44,012	39,943
Paid-in capital	405,563	320,920
Valuation adjustment for available-for-sale securities, net of tax	13,000	8,000
Treasury stock, at cost; 3,316,326 and 1,068,985 shares	(68,499)	(22,412)
Retained earnings	183,626	229,478
	577,702	575,929
	$5,114,978	$4,577,402

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended September 30,	1996	1995	1994
<S>	<C>	<C>	<C>
	(In thousands, except per share data)		
INTEREST INCOME			
Loans	$305,372	$238,086	$208,030
Mortgage-backed securities	74,126	84,125	60,741
Investment securities	24,713	21,555	18,806
	404,211	343,766	287,577
INTEREST EXPENSE			
Customer accounts	129,904	115,348	89,758
FHLB advances and other borrowings	98,841	72,905	31,356

	228,745	188,253	121,114
NET INTEREST INCOME	175,466	155,513	166,463
Provision for loan losses	3,828	6,245	401
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	171,638	149,268	166,062
OTHER INCOME			
Gain on sale of securities	1,444	4,518	2,321
Other	4,473	5,186	6,038
	5,917	9,704	8,359
OTHER EXPENSE			
Compensation and fringe benefits	20,231	18,627	17,715
SAIF special assessment	15,026	--	--
Regulatory assessments	5,530	5,013	4,843
Occupancy expense	3,417	2,959	2,696
Other	8,959	9,482	8,118
	53,163	36,081	33,372
Gain on real estate owned, net	58	198	1,338
INCOME BEFORE INCOME TAXES	124,450	123,089	142,387
Income taxes			
Current	38,222	39,373	44,667
Deferred	6,333	5,373	4,933
	44,555	44,746	49,600
NET INCOME	$79,895	$78,343	$92,787
PER SHARE DATA			
Net income	$1.88	$1.79	$2.11
Cash dividends	$.90	$.82	$.75
Weighted average number of shares outstanding including dilutive stock options	41,709,022	43,760,638	44,084,622

</TABLE>

7

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Paid-in Capital <C>	Retained Earnings <C>	Valuation Adjustment for Available-for-Sale Securities <C>	Treasury Stock <C>	Total <C>
			(In thousands)			
Balance at October 1, 1993	$36,162	$234,836	$215,185	$ --	$ --	$486,183
Eleven-for-ten stock split distributed February 18, 1994	3,619	85,048	(88,667)			
Net income			92,787			92,787
Dividends			(32,694)			(32,694)
Proceeds from exercise of common stock options	71	426				497
Balance at September 30, 1994	39,852	320,310	186,611			546,773
Cumulative effect of change in accounting method for available-for-sale securities, net of tax				1,551		1,551
Net income			78,343			78,343
Dividends			(35,476)			(35,476)
Proceeds from exercise of common stock options	91	610				701
Treasury stock					(22,412)	(22,412)
Valuation adjustment for available-for-sale securities				6,449		6,449
Balance at September 30, 1995	39,943	320,920	229,478	8,000	(22,412)	575,929
Eleven-for-ten stock split distributed March 1, 1996	3,997	83,937	(87,934)			
Net income			79,895			79,895
Dividends			(37,813)			(37,813)
Proceeds from exercise of common stock options	72	706				778
Treasury stock					(46,087)	(46,087)
Valuation adjustment for available-for-sale securities			5,000	5,000		
Balance at September 30, 1996	$44,012	$405,563	$183,626	$13,000	$(68,499)	$577,702

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30, <S>	1996 <C>	1995 <C>	1994 <C>
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$79,895	$78,343	$92,787
Adjustments to reconcile net income to net cash provided by operating activities			

Amortization of fees, discounts and premiums, net	(19,481)	(17,936)	(26,977)
SAIF special assessment	15,026	--	--
Amortization of costs in excess of net assets acquired	3,545	3,536	3,515
Depreciation	1,912	1,814	1,638
Gain on investment securities and real estate held for sale	(1,502)	(4,876)	(3,659)
Increase in accrued interest receivable	(3,187)	(4,884)	(3,601)
Increase in income taxes payable	2,325	1,767	5,444
FHLB stock dividends	(3,896)	(3,455)	(6,508)
Decrease (increase) in other assets	(1,669)	36	213
Increase (decrease) in accrued expenses and other liabilities	4,638	(3,378)	730
Net cash provided by operating activities	77,606	50,967	63,582

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and contracts originated			
Loans on existing property	(972,601)	(758,455)	(540,561)
Construction loans	(428,317)	(341,001)	(370,845)
Land loans	(92,496)	(97,990)	(74,508)
Loans refinanced	(62,854)	(27,468)	(76,518)
	(1,556,268)	(1,224,914)	(1,062,432)
Savings account loans originated	(7,065)	(4,754)	(6,859)
Loan principal repayments	863,577	608,449	825,446
Increase in undisbursed loans in process	24,628	47,040	14,845
Loans purchased	(888)	(5,132)	(354)
Purchase of available-for-sale securities	(241,230)	(135,651)	--
Principal payments and maturities of available-for-sale securities	129,888	51,089	--
Sales of available-for-sale securities	165,719	65,984	--
Purchases of held-to-maturity securities	--	(213,720)	(722,268)
Principal payments and maturities of held-to maturity securities	129,768	89,880	308,238
Sales of held-to-maturity securities	--	--	19,370
Proceeds from sale of real estate held for sale	2,580	1,241	5,971
Premises and equipment purchased, net	(3,867)	(2,927)	(2,939)
FHLB stock (purchased) sold	(15,500)	35,000	--
Cash received (paid) for acquisitions	--	(4,016)	62,024
Net cash used by investing activities	(508,658)	(692,431)	(558,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in customer accounts	34,885	140,963	3,011
Net increase in short-term borrowings	845,462	399,383	578,704
Proceeds from long-term borrowings	--	150,000	--
Repayments of long-term borrowings	(370,000)	--	(40,000)
Proceeds from exercise of common stock options	778	701	497
Dividends	(37,813)	(35,476)	(32,694)
Treasury stock purchased	(46,087)	(22,412)	--
Increase (decrease) in advance payments			
by borrowers for taxes and insurance	294	1,001	(228)
Net cash provided by financing activities	427,519	634,160	509,290
INCREASE (DECREASE) IN CASH	(3,533)	(7,304)	13,914
CASH AT BEGINNING OF YEAR	23,168	30,472	16,558
CASH AT END OF YEAR	$19,635	$23,168	$30,472
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
NON-CASH INVESTING ACTIVITIES			
Real estate acquired through foreclosure	$3,884	$8,894	$2,462
Transfer from held-to-maturity securities to available-for-sale securities	215,489	324,904	--
CASH PAID DURING THE YEAR FOR			
Interest	$228,756	$185,686	$120,114
Income taxes	43,794	43,315	44,156

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended September 30, 1996, 1995 and 1994

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Washington Federal, Inc., (the "Company") and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. On February 3, 1995, the Company's predecessor, Washington Federal Savings (the "Association") reorganized into a holding company structure and the Association became a wholly-owned subsidiary of the Company.

INVESTMENT AND MORTGAGE-BACKED SECURITIES. Effective October 1, 1994, the Company adopted, as required, Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity

Securities". This statement requires debt and equity securities to be segregated into the following three categories: trading, held-to-maturity and available-for-sale.

Trading Securities - Trading securities are purchased and held principally for the purpose of reselling them within a short period of time. Their unrealized gains and losses are included in earnings. It is the Company's current policy not to purchase securities for the purpose of trading.

Held-To-Maturity Securities - Securities classified as held-to-maturity are accounted for at amortized cost, but the Company must have both the positive intent and the ability to hold those securities to maturity. There are very limited circumstances under which securities in the held-to-maturity category can be sold without jeopardizing the cost basis of accounting for the remainder of the securities in this category. Recognition is provided for unrealized losses in the debt portfolio if any market valuation differences are deemed to be other than temporary.

Available-For-Sale Securities - Securities not classified as either trading or held-to-maturity are considered to be available-for-sale. Gains and losses realized on the sale of these securities are based on the specific identification method. Unrealized gains and losses for available-for-sale securities are excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized.

Forward contracts to purchase mortgage-backed securities are designated as available-for-sale. Emerging Issues Task Force ("EITF") discussion 96-11 dated May 23, 1996 requires that changes in the fair value of forward contracts designated as available-for-sale be recognized as part of the SFAS No. 115 component of stockholders' equity as they occur unless a decline in the fair value of the underlying securities is other than temporary. Securities purchased under forward contracts designated as available-for-sale would be recorded at their fair values at the settlement date. The Company has adopted the provisions of EITF 96-11 on a prospective basis for all forward contracts entered into after May 23, 1996.

LOANS RECEIVABLE. Loans more than 90 days past due are placed on nonaccrual status and an allowance for accrued interest is established. Any interest ultimately collected is credited to income in the period of recovery.

An allowance for losses on specific loans is provided to record loans receivable at their estimated fair value when losses are probable and estimable. Such provisions are based on management's estimate of fair value of the collateral considering current and anticipated future market conditions. General loan loss allowances are established to provide for inherent risks in the portfolio. The allowances are provided based on management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including changes in the size and composition of the loan portfolio, actual loan loss experience and current and anticipated economic conditions. The recovery of the carrying value of loans is susceptible to future market conditions beyond the Association's control which may result in losses or recoveries differing from those provided.

In May, 1993, the FASB issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114). SFAS No. 114 requires that loans that will not be repaid in accordance with their contractual terms be measured using a discounted cash flow methodology or the fair value of the collateral for certain loans. Smaller balance loans are excluded from the scope of the statement with limited exceptions. The Company adopted SFAS No. 114, effective October 1, 1995 which did not have a material effect on the Association's financial condition or results of operations.

PREMISES AND EQUIPMENT. Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the respective assets.

Expenditures are capitalized for betterments and major renewals, and charges for ordinary maintenance and repairs are expensed to operations as incurred.

REAL ESTATE HELD FOR SALE. Properties acquired in settlement of loans, purchased in acquisitions or acquired for development are recorded at the lower of cost or fair value.

Real estate properties which have been purchased in acquisitions (see Note B) have yield maintenance reserves which are amortized to income over the estimated holding period utilizing the interest method.

COSTS IN EXCESS OF NET ASSETS ACQUIRED. Costs in excess of fair value of net assets acquired in business combinations are amortized to expense over a period not to exceed 15 years using the straight-line method. Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the $25,479,000 of goodwill and $1,978,000 of core deposit intangible are reductions from stockholders' equity in computing the Association's tangible capital. With each quarterly

Statement of Financial Condition, the Company reviews the status of costs in excess of net assets acquired on a discounted cash flow basis to determine that no impairment of this asset has occurred.

DEFERRED FEES AND DISCOUNTS ON LOANS. Loan discounts and loan fees are deferred and are recognized over the life of the loans using the interest method based on actual loan payments.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

RECLASSIFICATIONS. Certain reclassifications have been made to the financial statements for years prior to September 30, 1996 to conform to the classifications used in 1996.

NOTE B ACQUISITIONS

On July 12, 1996, Washington Federal, Inc. signed an agreement to merge with Metropolitan Bancorp, of Seattle, Washington. At September 30, 1996 Metropolitan had 10 offices, all located in the Seattle area, $752 million of assets, $396 million of deposits and $51 million of stockholders' equity. Under the terms of the agreement each Metropolitan share of common stock will be converted into approximately .74 shares of the Company's common stock. The total value of the transaction is approximately $58 million. The merger was completed during the first quarter of fiscal 1997 and was accounted for by the purchase method. Approximately $40 million of costs in excess of net assets acquired will be amortized utilizing the straight-line method over 15 years. Because the merger occurred after September 30, 1996, the financial statements presented herein for the Company do not include the financial information of Metropolitan Bancorp.

On July 1, 1995, the Association completed the purchase of assets and assumption of liabilities of West Coast Mutual Savings Bank ("West Coast"), Centralia, Washington. The transaction included the sole branch office and $27 million of deposits of West Coast. The acquisition was accounted for by the purchase method.

On May 14, 1994, the Association completed the acquisition of deposits in two branch offices, formerly of Great American Federal Savings Association, from the Resolution Trust Corporation. The two offices, located in Tucson, Arizona, had deposits of $62 million.

From the Association's various acquisitions, additional discounts of $26,614,000 were recorded to yield a market rate of interest on loans, and additional yield maintenance reserves of $15,041,000 were recorded to yield a market rate of return on real estate held for sale. Both the loan purchase discounts and the real estate yield maintenance reserves are amortized utilizing the interest method over the estimated lives of the assets. During the periods ended September 30, 1996, 1995, and 1994 the combined amortization of loan purchase discounts and yield maintenance reserves on real estate was $2,170,000, $2,744,000 and $3,134,000, respectively.

<TABLE>
<CAPTION>
NOTE C INVESTMENT SECURITIES

September 30,	1996 (In thousands)			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE SECURITIES				
U.S. government and agency securities due				
Less than 1 year	$68,717	$130	$(18)	$68,829
1 to 5 years	177,705	2,035	(867)	178,873
5 to 10 years	15,215	332		15,547
Over 10 years	9,278	3,011		12,289
	270,915	5,508	(885)	275,538
HELD-TO-MATURITY SECURITIES				
Tax-exempt municipal bonds due				
Less than 1 year	--	--	--	
1 to 5 years	2,000	145	2,145	
5 to 10 years	7,652	756	8,408	
Over 10 years	13,816	600	(2)	14,414

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>
	23,468	1,501	(2)	24,967
	$294,383	$7,009	$(887)	$300,505

</TABLE>

<TABLE>
<CAPTION>

September 30,	1995 (In thousands)			
	Amortized Cost	Gross Unrealized Gain	Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE SECURITIES				
U.S. government and agency securities due				
Less than 1 year	$18,280	$79	$(60)	$18,299
1 to 5 years	161,727	3,633	(375)	164,985
5 to 10 years	15,243	654	--	15,897
Over 10 years	9,278	3,357	--	12,635
	204,528	7,723	(435)	211,816
HELD-TO-MATURITY SECURITIES				
Tax-exempt municipal bonds due				
Less than 1 year	21,379	761	--	22,140
1 to 5 years	2,000	195	--	2,195
5 to 10 years	7,652	273	--	7,925
Over 10 years	13,814	235	(112)	13,937
	44,845	1,464	(112)	46,197
	$249,373	$9,187	$(547)	$258,013

</TABLE>

Proceeds from sales of investment securities in the available-for-sale portfolio during 1996 were $29.6 million. The Company realized no gains and $401,000 in losses on these sales during 1996.

Proceeds from sales of investment securities in the available-for-sale portfolio during 1995 were $31.8 million. The Company realized $912,000 in gains and $39,000 in losses on these sales during 1995.

Proceeds from sales of investment securities during 1994 were $.7 million. The Company realized $34,000 in gains and no losses on these sales during 1994.

Investment securities with a book value of $3.3 million and a fair value of $4.2 million at September 30, 1996 were pledged to secure public deposits.

<TABLE>
<CAPTION>

NOTE D MORTGAGE-BACKED SECURITIES

September 30,	1996 (In thousands)			
	Amortized Cost	Gross Unrealized Gain	Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE SECURITIES				
FNMA pass-through certificates	$29,879	$1,892	$ --	$31,771
FHLMC pass-through certificates	211,902	6,095	(1,979)	216,018
Forward Commitments	--	10,288	--	10,288
	241,781	18,275	(1,979)	258,077
HELD-TO-MATURITY SECURITIES				
GNMA pass-through certificates	475	39	(3)	511
FNMA pass-through certificates	19,070	789	(269)	19,590
FHLMC pass-through certificates	587,612	5,632	(10,147)	583,097
Collateralized mortgage obligations	1,371	113	--	1,484
	608,528	6,573	(10,419)	604,682
	$850,309	$24,848	$(12,398)	$862,759

</TABLE>

<TABLE>
<CAPTION>

September 30,	1995 (In thousands)			
	Amortized Cost	Gross Unrealized Gain	Losses	Fair Value
<S>	<C>	<C>	<C>	<C>

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE SECURITIES				
GNMA pass-through certificates	$6,123	$596	$ --	$6,719

FNMA pass-through certificates	34,768	2,732	--	37,500
FHLMC pass-through certificates	103,460	4,021	(1,891)	105,590
	144,351	7,349	(1,891)	149,809
HELD-TO-MATURITY SECURITIES				
GNMA pass-through certificates	1,857	246	(2)	2,101
FNMA pass-through certificates	25,250	1,504	(49)	26,705
FHLMC pass-through certificates	892,548	21,665	(7,978)	906,235
Collateralized mortgage obligations	11,390	50	(178)	11,262
	931,045	23,465	(8,207)	946,303
	$1,075,396	$30,814	$(10,098)	$1,096,112

</TABLE>

Proceeds from sales of mortgage-backed securities in the available-for-sale portfolio during 1996 were $77.5 million. The Company realized $3.4 million in gains and $1.5 million in losses on these sales during 1996.

Proceeds from sales of mortgage-backed securities in the available-for-sale portfolio during 1995 were $34.2 million. The Company realized $3.6 million in gains and no losses on these sales during 1995.

Proceeds from sales of mortgage-backed securities during 1994 were $34.2 million. The Company realized $2.3 million in gains and no losses on these sales during 1994.

Available-for-sale mortgage-backed securities with a book value of $119.6 million and a fair value of $123.9 million at September 30, 1996 were pledged to secure public deposits, securities sold under agreements to repurchase and other borrowings.

Substantially all mortgage-backed securities have contractual due dates which exceed ten years. Mortgage-backed securities categorized as held-to-maturity with a fair market value of approximately $504,410,000 were pledged as collateral on September 30, 1996 for securities sold under agreements to repurchase (see Note L), or secured repurchase agreements with customers (see Note J).

The Company enters into forward contracts to purchase mortgage-backed securities as part of its interest rate risk management program. At September 30, 1996 and 1995, the Company had commitments outstanding to purchase mortgage-backed securities in the amount of $260,000,000 and $200,000,000, respectively. The related mortgage-backed securities will be designated as available-for-sale securities upon exercise of the commitments.

In November of 1995, the Financial Accounting Standards Board ("FASB") issued additional implementation guidance regarding the FASB's previously issued FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The additional guidance provided an opportunity to reassess the appropriateness of the classification of securities, and reclassify securities in accordance with the provisions of FAS No. 115. Any reclassification under these guidelines was required to be made by December 31, 1995, and accordingly, the Company reclassified $215,489,000 of mortgage-backed securities from held-to-maturity to the available-for-sale classification prior to that date.

<TABLE>
<CAPTION>
NOTE E LOANS RECEIVABLE

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Conventional real estate		
Permanent single-family residential	$3,158,644	$2,558,093
Income property	119,437	114,489
Land	172,146	167,028
Construction	548,302	443,723
Other	5,064	4,807
	4,003,593	3,288,140
Less		
Allowance for possible losses	15,182	11,651
Discount on loans	7,796	10,389
Loans in process	227,393	202,766
Deferred loan origination fees	30,206	29,307
	280,577	254,113

</TABLE>

<TABLE>

<S>	<C>	<C>
	$3,723,016	$3,034,027

</TABLE>

The Association originates both adjustable and fixed interest rate loans. At

September 30, 1996, these loans consisted of the following:

Fixed Rate (In thousands) Term to Maturity	Book Value	Adjustable Rate (In thousands) Term to Rate Adjustment	Book Value
Less than 1 year	$99,694	Less than 1 year	$579,977
1 to 3 years	39,301	1 to 3 years	17,114
3 to 5 years	47,159	3 to 5 years	--
5 to 10 years	157,307	5 to 10 years	--
10 to 20 years	525,968	10 to 20 years	--
Over 20 years	2,537,073	Over 20 years	--
	$3,406,502		$597,091

At September 30, 1996 and 1995, approximately $69,051,000 and $81,910,000 of fixed rate loan origination commitments were outstanding. Loans serviced for others at September 30, 1996, 1995 and 1994 were approximately $112,638,000, $146,360,000, and $190,034,000, respectively.

Permanent loans represented approximately 82% of all loans outstanding. Approximately 98% of the permanent loans are fixed rate with an average maturity of approximately 24 years.

Permanent single family residential loans receivable included adjustable rate loans of $66,987,000 and $94,315,000 at September 30, 1996 and 1995, respectively. These loans have interest rate adjustment limitations and are generally indexed to the 1-year Treasury Bill rate or the monthly weighted average cost of funds for Eleventh District savings institutions as published by the FHLB.

Loans by geographic concentration were as follows:

September 30, 1996	Washington	Idaho	Oregon	Utah (In thousands)	Arizona	Other States	Total
Conventional real estate							
Permanent single-family residential	$1,730,370	$397,332	$506,761	$468,294	$45,770	$10,117	$3,158,644
Income property	30,782	32,894	22,515	20,794	2,478	9,974	119,437
Land	104,958	13,829	15,062	15,391	21,144	1,762	172,146
Construction	270,374	60,660	105,781	80,266	27,942	3,279	548,302
Other	20	761	83	187	103	3,910	5,064
	$2,136,504	$505,476	$650,202	$584,932	$97,437	$29,042	$4,003,593

At September 30, 1996, the Company's recorded investment in impaired loans was $7.2 million which had allocated reserves of $995,000. Loans of $5.2 million did not require reserves. The average balance of impaired loans during the year was $6.0 million and interest income (cash received) from impaired loans was $93,000.

NOTE F ALLOWANCE FOR LOSSES ON LOANS

Year ended September 30,	1996	1995 (In thousands)	1994
Balance at beginning of year	$11,651	$11,720	$14,674
Allowance for losses on loans acquired	--	281	--
Provision for loan losses	3,828	6,245	401
Charge-offs	(820)	(7,330)	(3,777)
Recoveries	523	735	422
Balance at end of year	$15,182	$11,651	$11,720

NOTE G INTEREST RECEIVABLE

September 30,	1996	1995

</TABLE>

<TABLE>
<CAPTION>

<S>	<C> (In thousands)	<C>
Investment securities	$4,934	$4,113
Loans receivable	25,687	21,106
Allowance for uncollected interest on loans receivable	(1,797)	(1,470)
Mortgage-backed securities	5,804	7,692
	$34,628	$31,441

</TABLE>

<TABLE>
<CAPTION>

NOTE H PREMISES AND EQUIPMENT

September 30,		1996	1995
		(In thousands)	
	Estimated Useful Life		
<S>	<C>	<C>	<C>
Land	--	$8,979	$8,390
Buildings	25 - 40	40,671	38,222
Leasehold improvements	7 - 15	3,927	3,996
Furniture, fixtures and equipment	4 - 10	11,204	11,148
		64,781	61,756
Less accumulated depreciation and amortization		(22,896)	(21,826)
		$41,885	$39,930

</TABLE>

<TABLE>
<CAPTION>
NOTE I REAL ESTATE HELD FOR SALE

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Acquired for development	$13,074	$12,394
Acquired in settlement of loans	4,624	3,567
Acquired from purchased institutions in settlement of loans	15,793	16,168
	$33,491	$32,129

</TABLE>

<TABLE>
<CAPTION>
NOTE J CUSTOMER ACCOUNTS

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Checking accounts, 0.00% to 3.00%	$75,781	$70,011
Passbook and statement accounts, 3.50%	175,307	187,812
Insured money market accounts, 2.90% to 4.04%	342,013	271,582
Certificate accounts		
0.00% to 3.99%	808	1,998
4.00% to 4.99%	140,825	153,847
5.00% to 5.99%	1,579,802	697,324
6.00% to 6.99%	108,226	972,116
7.00% and over	1,123	16,409
Total certificates	1,830,784	1,841,694
Repurchase agreements with customers	56,335	74,236
	$2,480,220	$2,445,335

</TABLE>

At September 30, 1996 and 1995 certificate maturities were as follows:
<TABLE>
<CAPTION>

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Less than 1 year	$1,603,957	$1,622,986
1 to 2 years	172,577	144,289
2 to 3 years	27,575	49,383
Over 3 years	26,675	25,036
	$1,830,784	$1,841,694

</TABLE>

Interest expense on customer accounts consisted of the following:
<TABLE>

<CAPTION>

Year ended September 30,	1996	1995	1994
		(In thousands)	
<S>	<C>	<C>	<C>
Checking accounts	$1,734	$1,735	$1,849
Passbook and statement accounts	6,267	7,036	8,160
Insured money market accounts	13,137	10,549	7,902
Certificate accounts	105,634	93,542	69,626
	126,772	112,862	87,537
Repurchase agreements with customers	3,481	2,924	2,502
	130,253	115,786	90,039
Less early withdrawal penalties	(349)	(438)	(281)
	$129,904	$115,348	$89,758
Weighted average interest rate at end of year	4.93%	5.51%	4.22%
Weighted daily average interest rate during the year	5.24%	5.00%	4.02%

</TABLE>

During fiscal 1996, the Deposit Insurance Fund Act of 1996 was enacted calling for a special assessment to capitalize the Savings Association Insurance Fund ("SAIF"). The special assessment rate is 65.7 basis points of March 31, 1995 SAIF-insured deposits. Accordingly, the Association, which is a SAIF member, recorded a one-time pre-tax charge of $15,026,000 and an offsetting tax benefit of $5,485,000 during the fourth quarter of fiscal 1996. The special assessment will be paid during the first quarter of fiscal 1997. The Association's annual SAIF premium rates are anticipated to be reduced beginning January 1, 1997 from the current level of 23 basis points to 6.4 basis points.

NOTE K FHLB ADVANCES

FHLB advances had weighted average interest rates at September 30, 1996 and 1995 of 5.48% and 5.88%, respectively. Maturity dates of advances were as follows:

<TABLE>
<CAPTION>

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
FHLB advances due		
Less than 1 year	$1,112,000	$167,000
1 to 2 years	50,000	310,000
2 to 3 years	--	50,000
	$1,162,000	$527,000

</TABLE>

FHLB advances are collateralized as provided for in the Advance, Pledge and Security Agreements with the FHLB, by all FHLB stock owned by the Association, deposits with the FHLB and certain mortgages or deeds of trust securing such properties as provided in the agreements with the FHLB. As a member of the FHLB of Seattle, the Association currently has a credit line of 35 percent of the total assets of the Association, subject to collateralization requirements.

<TABLE>
<CAPTION>
NOTE L OTHER BORROWINGS

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Securities sold under agreements to repurchase		
Due within 30 days	$427,496	$872,087
After 30 but within 90 days	159,053	--
After one year	--	60,000
	586,549	932,087
Other borrowings		
Credit facility, weighted average rate of 5.72% and 6.20%, due October 4, 1996	11,000	5,000
Federal funds purchased, weighted average rate of 6.00% and 6.75%, due on demand	200,000	20,000
	$797,549	$957,087

</TABLE>

The Company has a $40,000,000 credit facility with another financial institution which expires February 28, 1997. The credit facility bears interest at the London Interbank Offering Rate (LIBOR) plus 25 basis points. There was $11,000,000 outstanding on this credit facility at September 30, 1996.

The Association enters into sales of securities under agreements to repurchase (reverse repurchase agreements). Fixed-coupon reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the Consolidated Statements of Financial Condition.

During the two years ended September 30, 1996, all of the Association's transactions were fixed-coupon reverse repurchase agreements. The dollar amount of securities underlying the agreements remain in the asset accounts. The securities pledged are registered in the Association's name and principal and interest payments are received by the Association; however, the securities are held by the designated trustee of the broker. Upon maturity of the agreements the identical securities pledged as collateral will be returned to the Association.

Financial data pertaining to the weighted average cost and the amount of securities sold under agreements to repurchase were as follows:

<TABLE>
<CAPTION>

September 30,	1996	1995 (In thousands)	1994
<S>	<C>	<C>	<C>
Weighted average interest rate at end of year	5.47%	5.83%	5.00%
Weighted daily average interest rate during the year	5.76%	5.92%	4.92%
Daily average of securities sold under agreements to repurchase	$831,676	$ 862,623	$241,690
Maximum securities sold under agreements to repurchase at any month end	971,173	1,009,334	604,604
Interest expense during the year	47,905	51,028	11,883

</TABLE>

NOTE M INCOME TAXES

The Consolidated Statements of Financial Condition at September 30, 1996 and 1995 include deferred taxes of $37,910,000 and $31,577,000 that have been provided for the temporary differences between the tax basis and the financial statement carrying amounts of assets and liabilities. The major sources of these temporary differences and their deferred tax effect at September 30, 1996 follow:

<TABLE>
<CAPTION>

September 30,	1996	1995
	(In thousands)	
<S>	<C>	<C>
Deferred tax assets		
Real estate valuation reserves	$ 3,941	$ 4,064
Discounts	178	261
Total deferred tax assets	4,119	4,325
Deferred tax liabilities		
Federal Home Loan Bank stock dividends	(10,545)	(9,400)
Loan loss reserves	(13,993)	(11,490)
Valuation adjustment on available-for-sale securities	(7,919)	(4,746)
Depreciation	(3,255)	(3,266)
Loan origination costs	(4,460)	(3,259)
Accrued interest - pre-1985 loans	(397)	(517)
Deferred costs from farming operations	(866)	(916)
Prepaid expenses	(417)	(393)
Other, net	(177)	(1,915)
Total deferred tax liabilities	(42,029)	(35,902)
Net deferred tax liability	$(37,910)	$(31,577)

</TABLE>

A reconciliation of the statutory federal income tax rate to the effective income tax rate follows:

<TABLE>
<CAPTION>

Year ended September 30,	1996	1995 (In thousands)	1994
<S>	<C>	<C>	<C>
Statutory income tax rate	35%	35%	35%
Tax-exempt interest	(1)	(1)	(1)
State income tax	3	3	3

</TABLE>

<TABLE>

<S>	<C>	<C>	
Other, net	(1)	(1)	(2)
Effective income tax rate	36%	36%	35%

</TABLE>

The Association meets certain definition tests and other conditions prescribed by the Internal Revenue Code which allows, with limitations, a bad debt deduction. This deduction can be computed as a percentage-of-taxable-income before such deduction or based upon actual loss experience. During the three fiscal years ended September 30, 1996, the Association employed the percentage of taxable income method.

The Business Job Protection Act ("Act"), enacted during 1996, eliminated the special reserve rules contained in Section 593 of the Internal Revenue Code, including the percentage-of-taxable-income method of computing reserve additions. The Act further authorized the retention of the pre-1988 reserve accumulations.

There are no post-1987 reserve accumulations, as the total pre-tax loan loss reserves at September 30, 1996 approximate $54,672,000 which is less then the pre-1988 reserve accumulations of $83,716,000 before taxes. Therefore, there will be no post-1987 reserve recapture. Pre-1988 reserves will be recaptured in full if a savings institution redeems stock or pays dividends in excess of earnings and profits.

The Company has been examined by the Internal Revenue Service through the year ended September 30, 1990. There were no material changes made to the Association's taxable income as originally reported.

NOTE N PROFIT SHARING RETIREMENT PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN

The Company maintains a Profit Sharing Retirement Plan and Employee Stock Ownership Plan ("Plan") for the benefit of its employees. Contributions are made to the Plan semi-annually as approved by the Board of Directors. Such amounts are not in excess of amounts permitted by the Employee Retirement Income Security Act.

Employees may contribute up to 7% of their base salaries to the Plan plus an additional 10% of their base salaries on a tax-deferred basis through the 401(k) provisions of the Plan. Under provisions of the Plan, employees are eligible to participate on the date of hire and become vested in the Company's contributions following seven years of service. Contributions to the Plan amounted to $1,497,000, $1,351,000, and $1,227,000, for the years ended September 30, 1996, 1995 and 1994, respectively.

Effective October 16, 1995 an Employee Stock Ownership Plan ("ESOP") component was added to the Plan. The ESOP component allows employees to acquire a direct ownership interest in Company common stock by transferring a percentage of their vested accounts to the ESOP feature of the Plan.

NOTE O STOCK OPTION PLANS

The Company has three employee stock option plans which provide a combination of stock options, stock appreciation rights and stock grants. Stockholders authorized 4,020,675; 1,268,276 and 2,090,000 unissued shares of common stock to be reserved pursuant to the 1982 Employee Stock Compensation Program ("1982 Plan"), the 1987 Stock Option and Stock Appreciation Rights Plan ("1987 Plan") and the 1994 Stock Option and Stock Appreciation Rights Plan ("1994 Plan"), respectively. The 1987 Plan and 1994 Plan are substantially similar to the 1982 Plan, but incorporate changes in the Internal Revenue Code affecting incentive stock options and do not provide for the grant of performance share awards.

Options granted prior to June 1985 under the 1982 plan are exercisable at the rate of 25% each year commencing two years after the date of grant, or in full four years after the date of grant, and expire after five years. Options granted after June 1985 under either plan are exercisable at varying percentages commencing as early as three years after the date of grant, with expiration dates between six and ten years after the date of grant. The per share option price is equal to the fair market value of the Company's common stock on the date of the grant.

<TABLE>
<CAPTION>

	Stock Options(1)	
	Average Price	Number
<S>	<C>	<C>
Outstanding, October 1, 1993	$12.73	867,250
Granted in 1994	21.01	599,330
Exercised in 1994	6.92	(99,180)
Forfeited in 1994	18.62	(66,833)
Outstanding, September 30, 1994	16.75	1,300,567
Granted in 1995	14.99	140,580
Exercised in 1995	8.48	(152,772)
Forfeited in 1995	18.20	(108,672)

</TABLE>

<TABLE>

<S> <C> <C>

Outstanding, September 30, 1995	15.77	1,179,703
Granted in 1996	20.25	335,692
Exercised in 1996	10.37	(120,561)
Forfeited in 1996	17.51	(73,403)
Outstanding September 30, 1996	$17.31	1,321,431

</TABLE>

(1) Average price and number of stock options granted, exercised and forfeited have been adjusted for 10 percent stock dividends in the second quarter of both 1996 and 1994, which had the effect of a eleven-for-ten stock split.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-based Compensation". The statement requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) application of the fair value recognition provisions in the statement. SFAS No. 123 does not rescind or interpret the existing accounting rules for employee stock-based arrangements. Companies may continue following those rules to recognize and measure compensation as outlined in Accounting Principles Board Opinion Number 25 ("APB No. 25"), but they will now be required to disclose the pro forma amounts of net income and earnings per share that would have been reported had the company elected to follow the fair value recognition provisions of SFAS No. 123. Effective October 1, 1996, the Company will adopt the disclosure requirements of SFAS No. 123, but has determined that it will continue to measure its employee stock-based compensation arrangements under the provisions of APB No. 25. The adoption of the disclosure requirements of SFAS No. 123 will have no material impact on the results of operations or financial condition of the Company.

NOTE P STOCKHOLDERS' EQUITY

In the second quarter of both fiscal 1996 and 1994, the Company declared eleven-for-ten stock splits in the form of a 10 percent stock dividend in addition to the regular quarterly cash dividends on its shares of common stock. The Association, which periodically pays a cash dividend to the Company, is subject to legal and regulatory restrictions on its ability to pay dividends. To maintain minimum regulatory capital under OTS regulations, the Association must have (i) tangible capital equal to 1.5 percent of adjusted total assets, (ii) core capital equal to 3 percent of adjusted total assets, and (iii) total capital equal to 8 percent of risk-weighted assets. At September 30, 1996, the Association had the following capital ratios:

<TABLE>
<CAPTION>

	Actual		Required		Excess
	Amount	Percentage	Amount	Percentage	Amount
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Tangible capital	$511,836	10.2%	$ 75,531	1.5%	$436,305
Core (leverage) capital	$511,836	10.2%	$151,063	3.0%	$360,773
Risk-based capital	$508,744	19.2%	$211,770	8.0%	$296,974

</TABLE>

The FDIC has established categories of institutions with respect to capital. Depending on the Association's category classification, the FDIC may restrict certain activities of the Association, including acceptance of brokered deposits or offering interest rates on deposits that are significantly higher than prevailing interest rates. In order to be categorized as a well-capitalized institution, the FDIC requires financial institutions it regulates to maintain a leverage ratio, defined as Tier 1 capital divided by total regulatory assets of at least 5.0%; Tier 1 risk-based capital of at least 6.0% of risk-weighted assets; and total risk-based capital of at least 10.0% of risk-weighted assets. At September 30, 1996, the Association exceeded the well-capitalized requirements.

At periodic intervals, the OTS and the FDIC routinely examine the Company's financial statements as part of their legally prescribed oversight of the savings and loan industry. Based on their examinations, these regulators can direct that the Company's financial statements be adjusted in accordance with their findings. The extent to which forthcoming regulatory examinations may result in adjustments to the financial statements cannot be determined. The OTS concluded an examination of the Company in July 1995.

NOTE Q FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate that value. SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value estimates presented do not reflect the underlying fair value of the Company. Although management is not aware of any factors that would materially affect the estimated fair value amounts presented, such amounts have not been

comprehensively revalued for purposes of these financial statements since that date and, therefore, estimates of fair value subsequent to that date may differ significantly from the amounts presented below.

<TABLE>
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September 30,	1996		1995	
	(In thousands)			
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Financial assets				
Cash	$19,635	$19,635	$23,168	$23,168
Available-for-sale securities	533,615	533,615	361,625	361,625
Held-to-maturity securities	631,996	629,649	975,890	992,500
Loans receivable	3,723,016	3,673,693	3,034,027	3,072,706
FHLB stock	64,530	64,530	45,134	45,134
Financial liabilities				
Customer accounts	2,480,219	2,484,492	2,445,335	2,449,361
FHLB advances	1,162,000	1,159,468	527,000	479,097
Other borrowings	797,549	797,394	957,087	957,011
Off balance sheet information				
Forward contracts to purchase mortgage-backed securities	--	--	--	11,675

</TABLE>

The following methods and assumptions were used to estimate the fair value of financial instruments:

CASH - The carrying amount of these items is a reasonable estimate of their fair value.

INVESTMENT SECURITIES - The fair value is based on quoted market prices or dealer estimates.

LOANS RECEIVABLE - For certain homogeneous categories of loans, such as fixed and variable residential mortgages, fair value is estimated using quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other loan types is estimated by discounting the future cash flows and estimated prepayments using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. Some loan types were valued at carrying value because of their floating rate or expected maturity characteristics.

MORTGAGE-BACKED SECURITIES - Estimated fair value for mortgage-backed securities issued by quasi-governmental agencies is based on quoted market prices. The fair value of all other mortgage-backed securities is based on dealer estimates.

FHLB STOCK - The fair value is based upon the redemption value of the stock which equates to its carrying value.

CUSTOMER ACCOUNTS - The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting the estimated future cash flows using the rates currently offered for deposits with similar remaining maturities.

FHLB ADVANCES AND OTHER BORROWINGS - The fair value of FHLB advances and other borrowings is estimated by discounting the estimated future cash flows using rates currently available to the Association for debt with similar remaining maturities.

FORWARD CONTRACTS TO PURCHASE MORTGAGE-BACKED SECURITIES - The fair value is based on quoted market prices.

NOTE R FINANCIAL INFORMATION - WASHINGTON FEDERAL, INC.

Washington Federal, Inc. was formed February 3, 1995. The following Washington Federal, Inc. (parent company only) financial information should be read in conjunction with the other notes to the Consolidated Financial Statements.

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STATEMENT OF FINANCIAL CONDITION

September 30,	1996	1995
	(In thousands)	

<S> <C> <C>

ASSETS		
Cash	$ 1,401	$ 2,800
Investment in subsidiaries	586,326	578,074
Dividend receivable	9,000	9,000

</TABLE>

<TABLE>
<S> <C> <C>

Other assets	1,342	--
Total assets	$598,069	$589,874
LIABILITIES		
Borrowed money	$11,000	$5,000
Dividend payable	9,360	8,942
Other liabilities	7	3
Total liabilities	20,367	13,945
STOCKHOLDERS' EQUITY		
Common stock, $1.00 par value: 100,000,000 shares authorized - 44,011,776 and 39,943,213 shares issued; 40,695,450 and 38,874,228 shares outstanding	44,012	39,943
Paid-in capital	405,563	320,920
Valuation adjustment for available-for-sale securities, net of tax	13,000	8,000
Treasury stock, at cost - 3,316,326 and 1,068,985 shares	(68,499)	(22,412)
Retained earnings	183,626	229,478
Total stockholders' equity	577,702	575,929
Total liabilities and stockholders' equity	$598,069	$589,874

</TABLE>

<TABLE>
<CAPTION>
STATEMENT OF OPERATIONS

	YEAR ENDED SEPTEMBER 30, 1996	Period of February 3, 1995 (inception) to September 30, 1995
	(In thousands)	
<S>	<C>	<C>
INCOME		
Dividends from subsidiary	$77,000	$47,000
Interest income	--	1
Total income	77,000	47,001
EXPENSE		
Borrowings	559	365
Other	3	1
Total expense	562	366
Net income before equity in undistributed net income of subsidiaries	76,438	46,635
Equity in undistributed net income of subsidiaries	3,252	4,449
Income before income taxes	79,690	51,084
Income tax benefit	205	133
Net Income	$79,895	$51,217

</TABLE>
<TABLE>

<CAPTION>

STATEMENT OF CASH FLOWS

	YEAR ENDED SEPTEMBER 30, 1996	Period of February 3, 1995 (inception) to September 30, 1995
	(In thousands)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$79,895	$51,217
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of subsidiaries	(3,252)	(4,449)
Increase in other assets	(1,342)	(9,000)
Increase in other liabilities	422	8,945
Net cash provided by operating activities	75,723	46,713
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	6,000	5,000
Issuance of common stock through stock option plan	778	340
Treasury stock purchased	(46,087)	(22,412)
Dividends	(37,813)	(26,841)

</TABLE>

<TABLE>
<S> <C> <C>

Net cash used by financing activities	(77,122)	(43,913)
Increase in cash	(1,399)	2,800
Cash at beginning of year	2,800	--
Cash at end of year	$1,401	$2,800

</TABLE>

NOTE S SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited interim results of operations by quarter for the years ended September 30, 1996 and 1995:

<TABLE>
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Year ended September 30, 1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Interest income	$96,840	$100,084	$102,992	$104,295
Interest expense	57,504	56,931	56,939	57,371
Net interest income	39,336	43,153	46,053	46,924
Provisions for loan losses	483	301	1,276	1,768
Other operating income	1,737	1,252	1,828	1,100
Other operating expense	8,780	9,595	9,589	25,141
Income before income taxes	31,810	34,509	37,016	21,115
Income taxes	11,556	12,700	13,546	6,753
Net income	$20,254	$21,809	$23,470	$14,362
Net income per share	$.47	$.51	$.55	$.35
Return of average assets	1.73%	1.79%	1.87%	1.13%

</TABLE>
<TABLE>
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Year ended September 30, 1995	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Interest income	$80,218	$83,425	$87,654	$92,469
Interest expense	39,275	44,195	50,214	54,569
Net interest income	40,943	39,230	37,440	37,900
Provisions for loan losses	321	373	612	4,939
Other operating income	1,113	1,055	1,658	5,878
Other operating expense	8,989	9,147	9,104	8,643
Income before income taxes	32,746	30,765	29,382	30,196
Income taxes	12,052	11,193	10,768	10,733
Net income	$20,694	$19,572	$18,614	$19,463
Net income per share	$.47	$.44	$.43	$.45
Return of average assets	2.10%	1.92%	1.75%	1.74%

</TABLE>

<TABLE>
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SELECTED FINANCIAL DATA

Year ended September 30,	1996	1995	1994	1993	1992
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Interest income	$404,211	$343,766	$287,577	$275,345	$271,693
Interest expense	228,745	188,253	121,114	116,677	133,537
Net interest income	175,466	155,513	166,463	158,668	138,156
Provision for loan losses	3,828	6,245	401	2,731	179
Other income	5,917	9,704	8,359	12,852	4,963
Other expense	53,105	35,883	32,034	29,656	26,589
Income before income taxes and extraordinary loss	124,450	123,089	142,387	139,133	116,351
Income taxes	44,555	44,746	49,600	45,843	34,415
Extraordinary loss, net of tax benefit	--	--	--	(2,122)	--
Net income	$79,895	$78,343	$92,787	$91,168	$81,936

</TABLE>

<TABLE>
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Per share data

<S>	<C>	<C>	<C>	<C>	<C>
Net income before extraordinary loss	$1.88	$1.79	$2.11	$2.11	$1.86
Extraordinary loss, net of income tax benefit	--	--	--	(.05)	--
Net income	$1.88	$1.79	$2.11	$2.06	$1.86
Cash dividends	$.90	$.82	$.75	$.68	$.62

</TABLE>
<TABLE>
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September 30,	1996	1995	1994	1993	1992
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$5,114,978	$4,577,402	$3,830,053	$3,159,267	$2,791,693
Loans and mortgage-backed securities	4,589,621	4,114,881	3,400,583	2,775,941	2,401,541
Investment securities	299,006	256,661	195,165	168,847	220,903
Customer accounts	2,480,220	2,445,335	2,281,751	2,216,381	1,853,541
FHLB advances	1,162,000	527,000	310,100	336,000	393,500
Other borrowings	797,549	957,087	624,604	60,000	60,000
Stockholders' equity	577,702	575,929	546,773	486,183	424,116
Number of					
Customer accounts	160,968	161,295	153,000	148,204	125,030
Mortgage loans	39,570	35,641	32,057	32,552	28,859
Offices	93	87	82	74	63

</TABLE>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Board of Directors
Washington Federal, Inc.
Seattle, Washington

We have audited the accompanying consolidated statements of financial condition of Washington Federal, Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Note A to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," on October 1, 1994.

DELOITTE & TOUCHE LLP
Seattle, Washington
October 25, 1996

GENERAL CORPORATE AND STOCKHOLDERS' INFORMATION

CORPORATE HEADQUARTERS
425 Pike Street
Seattle, Washington 98101
(206) 624-7930

INDEPENDENT ACCOUNTANTS

Deloitte & Touche, LLP
Seattle, Washington

SPECIAL COUNSEL
Elias, Matz, Tiernan & Herrick LLP
Washington, D.C.

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT
Stockholder inquiries regarding transfer requirements, cash or stock dividends, lost certificates, consolidating records, correcting a name or changing an address should be directed to the transfer agent:
ChaseMellon Shareholder Services, L.L.C.
Shareholder Relations Department
50 California Street-10th Floor
San Francisco, CA 94111

Telephone: 1-800-356-2017

ANNUAL MEETING
The annual meeting of stockholders will be held on January 23, 1997, at 2 p.m. at the Seattle Sheraton Hotel, 1400 Sixth Avenue, Seattle, Washington.

FORM 10-K
This report is available to stockholders of record upon written request to
Cathy Cooper
Assistant Vice President
Washington Federal, Inc.
425 Pike Street
Seattle, Washington 98101

STOCK INFORMATION

Washington Federal, Inc. is traded on the NASD National Market. The common stock symbol is WFSL. At September 30, 1996, there were approximately 2,934 shareholders of record.

QUARTER ENDED	STOCK PRICES HIGH	LOW	DIVIDENDS
DECEMBER 31, 1994	18 5/8	15	20
MARCH 31, 1995	18 3/4	15 5/8	20
JUNE 30, 1995	22 1/8	17 3/4	21
SEPTEMBER 30, 1995	21 7/8	19 1/8	21
DECEMBER 31, 1995	23 3/4	20 1/8	22
MARCH 31, 1996	23 1/2	20 5/8	22
JUNE 30, 1996	22 1/8	20 1/4	23
SEPTEMBER 30, 1996	23 5/8	19 1/4	23

ALL PRICES SHOWN HAVE BEEN ADJUSTED FOR STOCK SPLITS

MARKET MAKERS:
Dain, Bosworth Incorporated
Dean Witter Reynolds Inc.
Fox-Pitt, Kelton Incorporated
Herzog, Heine, Geduld, Inc.
Jeffries & Company, Inc.
Keefe, Bruyette & Woods, Inc.
Lehman Brothers, Inc.
Mayer & Schweitzer, Inc.

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Montgomery Securities Inc.
Piper Jaffray Companies, Inc.
Prudential Securities Inc.
Ragen Mackenzie, Incorporated
M.A. Schapiro & Co., Inc.
Sherwood Securities Corp.
Smith Barney Inc.
Weeden and Co., Inc.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in registration Statements No. 33-89082 and No. 33-97900 on Forms S-8 of Washington Federal, Inc. of our report dated October 25, 1996, incorporated by reference in this Annual Report on Form 10-K of Washington Federal, Inc. for the year ended September 30, 1996.

DELOITTE & TOUCHE LLP

Seattle, Washington
December 27, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED
STATEMENTS OF FINANCIAL CONDITION ON SEPTEMBER 30, 1996; CONSOLIDATED
STATEMENTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1996.
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